TEACHERS' RETIREMENT BOARD

BUDGETS AND AUDITS COMMITTEE

SUBJECT: Report on Audits of Combined Financial Statements as of June 30, 1998 and for the year then ended.

ITEM NUMBER: 4

ATTACHMENTS: ____

ACTION: X

DATE OF MEETING: November 5, 1998

INFORMATION: _____

PRESENTER: Mr. Lee/ PricewaterhouseCoopers L.L.P.

Attached for your approval is the Report on Audits of Combined Financial Statements for the Teachers' Retirement Fund, Cash Balance Plan, and 403(b) Program as of June 30, 1998 and for the year then ended. The statements for the Teachers' Retirement Fund and Cash Balance Plan were audited by PricewaterhouseCoopers L.L.P. The statements for the 403(b) Program were audited by other auditors.

The Teachers' Retirement System net assets held in trust for pension benefits as of June 30, 1998 were $88.2 billion, an increase of $13.4 billion over the $74.8 billion as of June 30, 1997.

Total additions to plan net assets (prior to deductions) were $16.6 billion, compared with $14.3 billion last year.

Effective July 1, 1997, the System implemented Government Accounting Standard Board Statement (GASB) No. 31, Accounting and Financial Reporting for certain Investments and for External Investment Pools, which establishes accounting and financial reporting standards for certain investments and establishes fair value as the accounting principal for investments that have readily determinable fair values.

STRS did not meet the deadline of October 1, 1997 for filing the Report on Audits of Combined Financial Statements with the State Controller's Office (SCO). A change in internal controls over the real estate appraisals required PricewaterhouseCoopers to perform additional work that delayed the issuance of the financial statements. The System filed the Report on Audits of Combined Financial Statements on October 20, 1998, with the State Controllers Office. The SCO will incorporate STRS Reports of Combined Financial Statements into in the State's annual financial report to be prepared by the State Controller.

RECOMMENDATION:

Staff recommends that the Budget and Audits Committee adopt the attached resolution approving the financial statements as submitted by PricewaterhouseCoopers L.L.P.

Budgets & Audits Committee
Item 4
November 5, 1998

PROPOSED RESOLUTION OF THE
TEACHERS' RETIREMENT BOARD
BUDGET AND AUDITS COMMITTEE

Subject: Report of External Auditors -
STRS Financial Statements

Resolution No. _____

WHEREAS, the Teachers' Retirement Board is required by law to have an annual audit of the State Teachers' Retirement System's financial statements by a certified public accountant or public accountant;

WHEREAS, the Board, in compliance with the law, engaged the accounting firm of PricewaterhouseCoopers L.L.P. to audit the System's financial statements for the fiscal year 1997-1998;

WHEREAS, the accounting firm of PricewaterhouseCoopers L.L.P. has completed the audit and issued the Report on Audits of Combined Financial Statements for the Teachers' Retirement Fund, Cash Balance Plan, and 403(b) Program for the fiscal year ended June 30, 1998 and for the year then ended; therefore, be it

RESOLVED, that the Board approve and adopt the Report on Audits of Combined Financial Statements for the Teachers' Fund, Cash Balance Plan, and 403(b) Program for the State Teachers' Retirement System for the fiscal year ended June 30, 1998 as submitted by PricewaterhouseCoopers L.L.P.

Decision of the:
Budgets and Audit Committee

Ratified by the:
Teachers' Retirement Board

November 5, 1998

_____
JAMES D. MOSMAN
Chief Executive Officer