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To: Management

From: Plante + Moran CPAs, P.C.

Date: November 17, 2026

Subject: Comments to Management as a Result of the June 30, 2026 Audit

We have recently completed our audit of the financial statements of California Public Employees Retirement System (CalPERS) as of and for the fiscal year ended June 30, 2026.

In planning and performing our audit of the financial statements of CalPERS as of and for the fiscal year ended June 30, 2026, in accordance with auditing standards generally accepted in the United States of America, we considered CalPERS' internal controls over financial reporting (internal controls) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of CalPERS' internal controls. Accordingly, we do not express an opinion on the effectiveness of CalPERS' internal controls. Further, our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. As a result of our audit, we offer the following control deficiencies related to internal controls.

My CalPERS User Access Review

During our review of user access controls for My CalPERS, we noted that documented user access reviews were not completed by all designated business process owners. This condition was also identified during the prior-year audit. Without complete and documented periodic access reviews, inappropriate, unnecessary, or excessive user access may not be identified and removed timely.

Management's Response

Management acknowledges the control deficiency identified regarding myCalPERS user access reviews not being completed by all designated business process owners. We agree that timely and documented periodic access reviews are a critical internal control to ensure that user access remains appropriate, necessary, and aligned with job responsibilities. Management recognizes the significance of this deficiency and the associated risk that inappropriate, unnecessary, or excessive access may not be identified and removed in a timely manner.

Going forward, management will establish a documented access review procedure that defines review responsibilities, required documentation, review frequency, and escalation procedures for overdue reviews. Management will also monitor completion of access reviews on an ongoing basis to help ensure that reviews are performed by all designated business process owners and that any inappropriate access is promptly addressed.

Automated Real Estate Investment System (AREIS) Privileged Access

During our review of privileged access to AREIS, we identified two user accounts that were granted elevated database administrator access for troubleshooting purposes. The elevated access was not removed following completion of the troubleshooting activities. Additionally, a formal monitoring or review process was not in place to provide oversight of activities performed using privileged access. Privileged accounts provide users with elevated capabilities that may allow significant changes to systems or data. When temporary privileged access is not removed timely and privileged activities are not independently monitored or reviewed, there is an increased risk that unauthorized or inappropriate changes could occur and remain undetected.

Management's Response

Management acknowledges the control deficiency identified regarding privileged access to AREIS. We agree that elevated access should be granted only for a defined business need, removed immediately after the need ends, and subject to independent monitoring and review.

Upon notification of the issue, management reviewed the two user accounts identified and confirmed they were non-human service accounts that had been granted elevated database administrator access during an outage/troubleshooting event and that the elevated access was not removed when the troubleshooting activity was completed. Management immediately removed the elevated access and confirmed that no other accounts had unauthorized privileged access and that no individuals had access to the credentials for these accounts.

Going forward, management will implement a formal process for approving, tracking, and reviewing privileged access to AREIS. This process will require documented approval for temporary privileged access, timely removal of access when no longer needed, and periodic independent review of privileged activity. Management will also assign responsibility for monitoring privileged access to ensure ongoing compliance and to reduce the risk of unauthorized or inappropriate changes going undetected.

Actuarial Valuation Services (AVS) Change Management

During our review of the AVS change management process, we noted that testing was performed for system changes; however, evidence demonstrating the testing performed and results obtained was not formally documented and retained as part of the change record. Without sufficient documentation of testing activities and results, management may be unable to demonstrate that system changes were adequately tested prior to approval and migration to production. Additionally, insufficient testing documentation reduces the audit trail supporting the change management process.

Management's Response

Management acknowledges the control deficiency identified regarding the AVS change management process and the absence of formally documented evidence of testing performed and results obtained as part of the change record. Management agrees that documenting testing activities is essential to demonstrate that system changes have been appropriately tested prior to approval and migration to production. Management recognizes the significance of this deficiency and the associated risk that insufficient documentation may impair the audit trail and limit the ability to demonstrate that changes were adequately tested.

Going forward, management will require that testing evidence, test results, and related approvals be formally documented and retained as part of the change record prior to production migration. Management will also establish oversight to confirm that required documentation is complete before changes are approved and implemented.

AVS Change Management - Segregation of Duties

Based on the access information reviewed, one user appears to have privileges that permit both development activities and deployment of changes to the AVS production environment. Allowing a single individual to both develop and migrate changes to production without an effective compensating control reduces segregation of duties within the change management process. This increases the risk that unauthorized, inappropriate, or insufficiently tested changes could be introduced into the production environment without independent detection or approval.

Management's Response

Management acknowledges the control deficiency identified regarding segregation of duties within the AVS change management process. Management recognizes that allowing a single individual to perform both development and production deployment activities without effective compensating controls creates a risk that unauthorized, inappropriate, or insufficiently tested changes could be introduced into the production environment.

Upon notification, management immediately removed the conflicting access from the affected user, ensuring that no individual currently holds both development and deployment privileges for AVS. Management also performed a lookback review and determined that no changes were migrated to production by this user. In addition, management completed a review of AVS user access rights and confirmed that no other users have conflicting roles within the production environment.

Going forward, management will strengthen controls over the AVS change management process by performing periodic user access reviews and independent reviews of AVS users and roles to identify and promptly remediate any segregation of duties conflicts. These reviews will be performed by individuals independent of the development and approval processes to ensure objectivity, and any identified conflicts will be escalated and resolved promptly.

This communication is intended solely for the information and use of management and others within CalPERS and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante + Moran CPAs, P.C.

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