RSM US LLP

30 South Wacker Drive
Suite 3300

Chicago, IL 60606

www.rsmus.com

August 4, 2026

Mr. Jackson M. Day
Technical Director
Financial Accounting Standards Board
801 Main Avenue
PO Box 5116
Norwalk, CT 06856-5116

File Reference No. 2026-ED100

Dear Mr. Day:

RSM US LLP appreciates the opportunity to comment on the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Update, *Compensation – Retirement Benefits – Defined Benefit Plans – Pension (Subtopic 715-30): Discount Rate Used to Measure the Benefit Obligation for Certain Market-Return Cash Balance Plans*, (the proposed ASU or proposal).

In general, we support the amendments in the proposed ASU and do not foresee any significant auditing or administrative challenges, assuming the concerns and issues raised in this letter are addressed. While we agree with the use of the proposed interest crediting rate, we question its applicability to certain fact patterns described in our response to Question 3. We also identify certain areas where additional clarification would improve the operability of the proposed amendments.

Our responses to the questions posed in the proposed ASU are included in the remainder of this letter.

Responses to Questions for Respondents

Question 1

Is the scope of the amendments in this proposed Update described in paragraph 715-30-35-43A clear and operable? Do you anticipate any auditing challenges? Please explain why or why not.

The proposed ASU would add the following statement to the end of paragraph 715-20-25-3:

> *However, for certain market-return cash balance plans described in paragraph 715-30-35-43A, the earnings on the invested plan assets could relate to the interest credits to participants' hypothetical accounts.*

As in other passages throughout the proposed ASU, the phrase "market-return cash balance plan" is not defined. While a straightforward market-based cash balance plan may be relatively easy to identify, many plans contain a combination of features that blur the distinction. For example, a plan may include market-based crediting for some participants or benefit tiers while retaining grandfathered provisions, minimum guarantees, interest-crediting floors or ceilings, legacy cash balance formulas, or other non-market-based features applicable to different participant populations.

In these cases, the proposed guidance does not clearly indicate whether it applies to the entire plan, only the market-based component, or not at all.

The proposed ASU identifies which market-return cash balance plans are within its scope but does not provide sufficient guidance for determining when a plan with multiple benefit features, legacy provisions or grandfathered populations ceases to qualify as a market-return cash balance plan. As discussed further in our response to Question 3, additional clarification regarding the definition and scope of a market-return cash balance plan would promote more consistent application in practice.

Question 2

Would the proposed amendments, which would require the assumed interest crediting rate to be used as the discount rate to measure the benefit obligation of in-scope market-return cash balance plans, provide decision-useful information and improve comparability? Are the proposed amendments clear and operable? Do you anticipate any auditing challenges? Please explain why or why not.

We generally agree that the proposed amendments would provide decision-useful information and improve comparability. Except as noted in our response to Questions 1 and 3, we also agree that the proposed amendments are clear and operable.

Question 3

Do you agree that the assumed interest crediting rate should be used as the discount rate in all circumstances for in-scope market-return cash balance plans? If not, under what circumstances would it be appropriate to use a different discount rate? Please explain your reasoning.

To the extent the plan's projected benefit obligation or the actuarial present value of accumulated plan benefits is attributable to cash balance accounts, we agree that the assumed interest crediting rate should be used as the discount rate. However, the proposed ASU does not explicitly address the following situations, among others:

- If retired participants are already in pay status and receiving monthly annuities, should those liabilities be measured using the interest crediting rate or a high-quality bond rate? Should the disclosed discount rate be a single effective rate reflecting both the interest crediting rate for cash balances and the bond rate for annuities, or should both rates be disclosed? Similarly, if a plan provides market-return cash balance benefits to some participants, such as those hired after a certain date, and traditional final-average pay benefits to others, how should the discount rate or rates be determined and disclosed? To more faithfully measure the benefit obligations under these types of plans, we recommend that the Board require that the portion of liabilities attributed to annuitants in pay status and participants with a traditional defined benefit formula use a high-quality bond rate or settlement rate as the discount rate and that the amount of the liabilities and discount rate used be disclosed.
- If a plan provides the greater of a market-return cash balance benefit and a traditional final-average pay benefit, it is unclear how the discount rate or rates should be determined. In these instances, we believe use of an interest crediting rate should not be permitted, as we do not believe the Board intended to scope these types of plans under the proposed guidance.
- The proposed ASU states that the amendments apply to plans in which participants "have the option" to elect lump-sum payments. In the actuarial valuation, the actuary will assume which active participants will elect a lump sum and which will elect an annuity. Should the interest crediting rate be used for all active participants or only for those assumed to elect a lump sum? Depending on the assumptions used to convert cash balances to annuities and the assumed interest crediting rate, using the interest crediting rate for all active participants could generate significant gains or losses each time a participant elects an annuity.

Question 4

Should the proposed amendments be applied to other defined benefit plans that are economically similar to in-scope market-return cash balance plans? If so, please describe the nature of those other defined benefit plans, how they would be defined, and how pervasive they are. If the proposed amendments are expanded to other defined benefit plans, are there any changes that would need to be made to the proposed amendments? If so, please explain why and describe the changes that you would recommend.

We do not believe that the proposed amendments should be applied to other defined benefit plans at this time. The rationale for the proposed guidance may not extend to other plans that include market-based adjustments to benefits, as those arrangements may not give rise to the same measurement mismatch that exists when market-return cash balance benefit obligations are measured using a bond yield rather than the interest crediting rate.

Question 5

Do you agree with the proposed consequential amendments to the guidance on cash balance plans in paragraph 715-20-25-3 and the guidance on the measurement of accumulated benefit obligations for plan reporting in paragraph 960-20-35-1B? Please explain why or why not.

We agree with the proposed consequential amendments in both paragraph 715-20-25-3 and paragraph 960-20-35-1B. Except as noted in our response to Question 3, we believe the proposed amendments would produce better estimates of the liabilities of market-return cash balance plans and would improve comparability among financial statements for these plans.

Question 6

The proposed transition requirements require that entities apply the proposed amendments on a prospective basis and disclose the nature of and reason for the change in accounting principle. Are the proposed transition requirements operable? If not, why not, and what transition method would be more appropriate and why? Would the proposed transition disclosures provide decision-useful information? Please explain why or why not.

We believe the proposed transition requirements are operable and that the proposed transition disclosures would provide decision-useful information. We defer to the financial statement users as to whether additional disclosures about the financial effect of the transition would also be helpful.

Question 7

How much time would be needed to implement the proposed amendments? Should the effective date for entities other than public business entities be different from the effective date for public business entities? Please explain why or why not. If so, how much additional time would you recommend for entities other than public business entities?

We generally defer to financial statement preparers regarding the time needed to implement the amendments in the proposed ASU. However, we believe implementation of the proposed amendments should not be burdensome, as the data needed to determine the assumed interest crediting rate should already be available through existing actuarial processes. As a result, we believe that 12 months should be sufficient time to implement the proposed amendments, including time for preparers, auditors and actuarial specialists to develop related policies, controls and procedures. Entities other than public business entities may benefit from an additional year to allow related audit and actuarial practices to mature.

Question 8

The proposed amendments would permit early adoption. Do you agree that early adoption should be permitted at any time prior to the effective date? Please explain why or why not.

We agree with the Board's recommendation to permit early adoption of the proposed amendments at any time that an entity performs its next pension measurement in accordance with Subtopic 715-30, without regard to whether such measurement is required.

We would be pleased to respond to any questions the Board or its staff may have concerning our comments and ask that any questions be directed to John Zomchick, Jr. at 917-548-9938 or Joseph Cascio at 212-372-1139.

Sincerely,

RSM US LLP

RSM US LLP