CONFERENCE OF CONSULTING ACTUARIES

August 10, 2026

Mr. Jackson M. Day
Technical Director
Financial Accounting Standards Board
File Reference No. 2026-ED100
801 Main Avenue
PO Box 5116
Norwalk, CT 06856-5116

RE: Proposed Revisions to Accounting Standards Codification Topic 715

Dear Mr. Day:

The attached comments were developed through the coordinated efforts of members of the Conference of Consulting Actuaries' (CCA) Cash Balance Working Group and are being submitted to the FASB. However, these comments do not necessarily reflect the views of the CCA, the CCA's members, or any employers of CCA members, and should not be construed in any way as being endorsed by any of the aforementioned parties.

Sincerely,



Lawrence J. Sher, FCA, FSA, EA, MAAA, Working Group Chair

Chair of the Cash Balance Working Group

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RE: Proposed Revisions to Accounting Standards Codification Topic 715

Dear Mr. Day:

We are a group of experienced pension actuaries who work extensively with sponsors of cash balance and other defined benefit pension plans. We are members of the workgroup organized by the Conference of Consulting Actuaries that prepared a 2024 white paper (Financial Accounting Treatment of Market-Return Cash Balance Plans, February 2024) that argued for a change to a more appropriate measurement of the benefit obligation for market return cash balance benefits and that was an impetus for bringing this topic to FASB's attention.

We appreciate the opportunity to comment on the proposed revisions to Accounting Standards Codification Topic 715, as issued in the exposure draft on June 10, 2026. We believe that finalizing this guidance is important: these plan designs have grown significantly in prominence, and the absence of clear, economically grounded measurement guidance has created inconsistencies in practice and has raised concerns among employers considering the adoption of this type of plan design.

We strongly support the direction of the proposed ASU. Requiring the assumed interest crediting rate to be used as the discount rate for Market Return Cash Balance (MRCB) benefits produces a liability measure that accurately reflects the economics of the benefit promise and is consistent with the 715-30-35-43 principle that the discount rates reflect the rates at which the pension benefits could be effectively settled. It represents a significant improvement over using a bond-based discount rate to measure these obligations.

We offer the following detailed comments in response to the Board's eight questions.

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.

Yes, we believe the scope of the proposed amendments is both clear and operable. However, we recommend one important refinement: the amendments should be applied to benefits, rather than to a plan as a whole. Most plans with market-return cash balance benefits also provide traditional defined benefits. Applying the new measurement approach at the plan level rather than the benefit level would be inconsistent with the objective of having the benefit obligation reflect the economic value of the underlying promise for plans with both types of benefits.

Common examples of mixed-structure plans include:

- Existing plans that have added a cash balance feature for new accruals while retaining the traditional formula for prior service;
- Plans that provide annuity payments to retirees within an otherwise "pure" market-return cash balance structure; and
- Plans that apply different benefit formulas to different participant groups.

Applying the measurement approach at the benefit level means that a single plan may appropriately use different discount rates for different benefit components. We believe this is both conceptually correct and practically operable.

We agree with the principle that interest credits should be based on an investable return, but note that the list of investable market returns in the proposed codification may be too narrow to fully capture the range of investable market returns currently permissible under IRS guidance. We also believe that the IRS is likely to consider expanding the scope of acceptable investable returns in future guidance and suggest that the standard reflect language that is flexible enough to capture such an expansion. Further, the use of broad-based market indices (as opposed to registered investment companies) is prevalent among non-qualified MRCB plans not restricted by IRS guidance.

For example, we recommend clarifying that any combination of the investable market returns referenced in the proposed update should also be considered an investable market return as such an approach is already permissible under current IRS guidance (e.g., a return based on a weighted average of the return on an equity and fixed income fund). Moreover, returns on unregistered investment vehicles such as insurance companies' separate accounts or banks' collective trusts are economically similar to returns on regulated investment companies.

We suggest the following edits to the proposed codification language:

- **715-20-25-3** In a cash balance plan, individual account balances are determined by reference to a hypothetical account rather than specific assets, and the benefit is dependent on the employer's promised interest-crediting rate not the actual return on plan assets. The employer's financial obligation to the plan is not satisfied by making prescribed principal and interest credit contributions—whether in cash or as a hypothetical contribution to participants' accounts—for

the period; rather, the employer must fund, over time, amounts that can accumulate to the actuarial present value of the benefit due at the time of distribution to each participant pursuant to the plan's terms. The employer's contributions to a cash balance plan trust and the earnings on the invested plan assets may be unrelated to the principal and interest credits to participants' hypothetical accounts. However, for certain market-return cash balance ~~plans~~benefits described in paragraph 715-30-35-43A, the earnings on the invested plan assets could relate to the interest credits to participants' hypothetical accounts.

- **715-30-35-43** Assumed discount rates shall reflect the rates at which the pension benefits could be effectively settled (see paragraph 715-30-35-43A for guidance on determining the assumed discount rate for certain market-return cash balance ~~plans~~benefits). It is appropriate in estimating those rates to look to available information about rates implicit in current prices of **annuity contracts** that could be used to effect **settlement** of the obligation (including information …

- **715-30-35-43A** For a market-return cash balance ~~plans~~benefit that meet~~s both of~~ the following condition~~s~~, the ~~plans~~benefit's assumed interest crediting rate shall be used as the assumed discount rate:

  ~~a.~~ Pension benefits are communicated to employees in the form of an account balance that comprises principal credits and interest credits based on an investable market return in any of the following forms or any combination of the following forms:

  1. The return on plan assets
  2. The return on a subset of plan assets that approximates the associated cash balance liabilities
  3. The return on one or more~~a~~ regulated investment companies~~company~~ or unregistered pooled investment vehicles
  4. One or more broad-based market indices.

  ~~b. Participants have the option to elect lump-sum payments~~

  The suggested deletion of item b is discussed in more detail in the response to Question 4.

  960-20-35-1B For certain market-return cash balance ~~plans~~benefits described in paragraph 715-30-35-43A, the plans' assumed interest crediting rates shall be used in determining the actuarial present value of accumulated plan benefits. Other assumptions that are necessary but are not inherent in that estimated cost shall be selected pursuant to the requirements in paragraph 960-20-35-1.

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.

Yes. We agree that the proposed amendments would provide decision-useful information and improve comparability. More fundamentally, the proposed approach (along with our suggested modifications) produces a liability measure that is economically meaningful. Based on our experience, we believe that actuaries and auditors will be able to work together to apply this guidance to a wide range of potential MRCB designs.

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.

We agree that the assumed interest crediting rate generally would be a reasonable discount rate for in-scope MRCB benefits. For a plan that credits 100% of the return on underlying assets, this approach produces a liability that will generally equal the sum of participants' account balances — potentially subject to small adjustments for the net effect of forfeitures before full vesting, any preservation-of-capital or similar guarantees and for the expected cost or savings associated with annuity elections (see our reply to Question 4, below).

We note that some plans credit a market rate below 100% of the relevant asset return (for example 95% of the annual return), to make allowance for plan administrative expenses (asset return will generally be net of investment expenses, so there would be no need to make an explicit allowance for these expenses), the potential cost of a capital preservation minimum benefit or for other reasons. (Under U.S. qualified plan rules, the credit may not exceed 100% of the relevant return.) Such plans are correctly in scope since they provide an interest credit that is based on (although not equal to) an investable market return and are economically similar to those crediting exactly 100%.

If the interest crediting rate "haircut" is being made purely to estimate the effect of expected plan costs not explicitly addressed, then we agree that an assumed interest crediting rate that reflects an adjustment for these costs is the appropriate discount rate. If the reduction to the interest credit is more significant (i.e., is expected to exceed those plan costs), then the economic value of the benefit may be less than the current account balance. That reduction in value would not be reflected in the measurement of liability if the discount rate is set equal to the expected interest credit rate.

Below we present two approaches that that might reasonably be suggested for setting the discount rate in situations where the interest credit reflects some type of haircut in excess of expected plan costs. We believe that either approach would be reasonable and represents a significant improvement over using a bond-based discount rate for these benefits:

- Approach A (consistent with the proposed ASU): Discount rate equals the expected interest crediting rate. The projected benefit obligation (PBO) will generally equal the account balance, but may modestly overstate the economic cost of the promise as of the liability measurement date where the interest credit is expected to be less than 100% of the return net of other plan costs. This is because the assets set aside to provide for the future benefit promise would likely grow at a rate that is higher than the rate at which the account balance grows. Similarly, service cost will equal the pay credit, but will overstate the true economic cost of that credit. To the extent that such overstatements occur, a plan that is fully funded as of the measurement date

would be expected to develop surplus over time as asset returns exceed the growth in the obligation.

- Approach B (Alternative): Discount rate equals the expected return on the assets (net of any plan costs such as administrative expenses and preservation of capital costs) on which the interest credit is based. The PBO will be lower than the account balance for participants expected to take payment in the future, but will converge with the account balance as the expected payment date draws near; interest cost will exceed the expected interest credit during this convergence period.

Under either approach, the liability converges to the same value as of the expected payment date. Approach A produces a higher PBO but lower interest cost; Approach B produces a lower PBO but higher interest cost.

Consider a simple example of a participant with a $100,000 account balance expected to take payment in 10 years. Assume that the plan credits 95% of the return on plan assets, rather than 100% and assume there are no other expected costs (future administrative expenses or adjustment for potential preservation of capital minimum payments) reflected in the benefit liability. In this scenario, the sponsor would only need to invest $97,206 as of the measurement date to provide the promised payment in 10 years. The table below illustrates how the two approaches would operate assuming that asset returns match expectations. But the same result would apply even if returns differ from expectations (i.e., that the amount currently needed to secure the projected benefit would be approximately 97.2% of the current account balance).

	Expected return	6.00%			
	Expected interest credit rate	5.70%			
		Approach A		Approach B	
		Discount Rate = 5.7%		Discount Rate = 6.0%	
Time	Account balance	Benefit obligation	Interest cost	Benefit obligation	Interest cost
0	100,000	100,000	5,700	97,206	5,832
1	105,700	105,700	6,025	103,038	6,182
2	111,725	111,725	6,368	109,220	6,553
3	118,093	118,093	6,731	115,773	6,946
4	124,825	124,825	7,115	122,720	7,363
5	131,940	131,940	7,521	130,083	7,805
6	139,460	139,460	7,949	137,888	8,273
7	147,409	147,409	8,402	146,161	8,770
8	155,812	155,812	8,881	154,931	9,296
9	164,693	164,693	9,387	164,227	9,854
10	174,080	174,080		174,080	

We consider both approaches reasonable, but note that Approach B would be more consistent with the amount needed to effectively settle the obligation assuming that other actuarial assumptions (most notably in this example, the expected benefit payment date) are realized. However, we do not believe

this issue warrants delaying finalization of the proposed changes. The adoption of either approach represents a meaningful improvement over the use of a traditional bond-based discount rate.

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.

As discussed further below, we recommend broadening the definition of an in-scope MRCB benefit to include plans in which participants do not have the option to elect lump sum payments, as the availability or absence of a lump-sum option does not alter the fundamental economics of a MRCB benefit promise. We acknowledge that similar accounting could also be applied to other defined benefit plan designs in which benefits vary based on market returns, for example, variable annuity plans. However, we do not recommend expanding the scope of this ASU to address those designs at this time if doing so could introduce additional considerations and delay the finalization of guidance that is urgently needed for MRCB plans. We encourage the Board to address those related issues in future guidance.

In our view, the definition of an in-scope MRCB in the proposed amendments is unnecessarily narrow and should be applied to all MRCB benefits, regardless of whether "participants have the option to elect lump sum payments." See our edit to the proposed codification language (in response to Question 1), where we suggested deleting this requirement. U.S. qualified plans are required to offer annuity options and some cash balance plans restrict the availability of lump sums in various ways or even require that account balances be paid in annuity forms. To the extent that participants have choices in distribution forms, actuarial assumptions are used to estimate the percentage of participants electing a lump sum or an annuity.

Whether the benefit is assumed to be paid as a lump sum, assumed to be taken as an annuity, or required (entirely or in part) by plan terms to be paid in annuity form, a participant's benefit amount increases or decreases based on the same return-based interest credit until the cash balance account is paid as a lump sum or an annuity commences.

Consider a simple example of a participant with a $150,000 account balance expected to commence his benefit in 1 year. Alternatively, the participant may elect an annuity that is equal to $1/15^{th}$ of his account balance. The table below illustrates that regardless of whether the participant elects a lump sum or an annuity, their benefit amount changes based on the investable market return. If the corresponding amount of assets (also assumed to be $150,000 – i.e., the plan's liabilities are 100% funded) is invested in the same portfolio used to determine the interest credit, assets and liabilities will remain aligned.

(1) Market Return	(2) Account Balance	(3) Annuity	(4) Change in Benefit value for either payment form	(5) Value of $150K invested consistent with interest credit
0%	150,000	10,000	0%	150,000
-10%	135,000	9,000	-10%	135,000
6%	159,000	10,600	6%	159,000
10%	165,000	11,000	10%	165,000

The availability or absence of a lump-sum option does not alter the fundamental economics of a market-return cash balance benefit promise. Assuming that the 1/15th conversion factor represents a market conversion, the account balance shown in column (2) would represent the cost of effectively settling the obligation as of the benefit commencement date, regardless of the form of payment elected. This equality supports the proposed ASU approach of tying the discount rate to the expected return on the underlying assets, as that is the rate at which the benefit can be effectively settled.

If the plan's conversion is above or below market, for example, if the annuity is 5% more valuable than the lump sum, then the cost of effectively settling the obligation would be consistently 5% more than the account balance, a difference that would be reflected in actuarial assumptions related to form of payment, the plan's annuity conversion basis and the longevity of participants, which are set separately from the discount rate.

If, on the other hand, a (presumably lower) traditional bond-based discount rate must be used when some portion of the benefit is either assumed or required to be paid in annuity form, the associated liability could be substantially higher than would be the case if a benefit of equivalent value is paid as a lump sum, and substantially higher than the economic cost of providing the annuity.

Once payments begin in annuity form (whether elected or required by plan design), the benefit would no longer vary in response to changes in asset return (except in the rare case of a plan that offers a variable annuity optional payment form.). Only after that point in time would it make sense to use the traditional bond-based discount rate to measure the obligation. Accordingly, the rate at which the benefit can be effectively settled is the market return-based rate until the assumed (or actual) benefit commencement date and the traditional bond-based discount rate for the period after benefits commence. Our proposed edits to the codification language (set out in response to Question 1 above) would achieve this result.

The measure of accounting obligation is an important consideration for plan sponsors, so inconsistencies in liability measurement could unnecessarily limit the designs that plan sponsors are willing to offer and their willingness to use these designs to encourage lifetime income options.

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.

Yes. We agree with the consequential amendments, and we strongly support their adoption. Please see our suggested edits to the proposed codification language in our response to Question 1.

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.

Yes, from our experience the proposed transition requirements are operable. In our opinion, the required disclosure of the nature and reason for the change in accounting principle will provide financial statement users with adequate context to understand the change.

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?

For most plans, the implementation of the proposed amendments will be straightforward. Actuarial systems are generally capable of substituting the discount rate without significant reprogramming. Plans with a combination of MRCB and traditional benefits may take more time to implement. Nonetheless, we do not anticipate that sponsors would need more than a year to implement the changes following issuance of a final ASU.

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.

Yes. We strongly support permitting early adoption. There is currently a diversity in practice, with some MRCB plan sponsors already applying approaches similar to the ones laid out in this guidance. Early adoption allows such MRCB plan sponsors to report on a consistent and economically grounded basis.

Conclusion

We appreciate the Board's attention to this important topic and commend the FASB and EITF for developing a clear, well-reasoned proposal. The proposed amendments represent a significant improvement to defined benefit plan accounting for MRCB designs, and we urge their prompt finalization.

Our principal recommendations are: (1) apply the amendments at the benefit level rather than the plan level to accommodate mixed-structure plans and (2) expand the scope to cover all MRCB plans regardless of whether a lump-sum option is offered or is restricted.

We would welcome the opportunity to discuss our comments further and are available at the Board's convenience.

Respectfully submitted,

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