

## ***The Revised Post-Implementation Review (PIR) Process***

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### **SUMMARY**

In 2019, the FASB and the GASB presented proposed changes to the post-implementation review (PIR) process to the FAF Standard-Setting Process Oversight Committee (Oversight Committee). After discussion and input from the standard-setting boards' advisory councils, the Oversight Committee recommended those changes to the FAF Board of Trustees. At its May 13, 2020 meeting, the Trustees approved those changes, which are summarized below.

The PIR process will be embedded within the current standards-setting processes of the FASB and the GASB. The Board of Trustees (through the Oversight Committee) will retain PIR oversight responsibility, but the PIR function will be led by the standard-setting Boards and their respective staffs, rather than by the FAF staff as under the current model.

Public accountability and transparency are key to ensuring the PIR function continues to be viewed as credible. Thus, for example, the standard-setting Boards will discuss progress on ongoing PIRs in their public Board meetings. Similarly, because Trustee oversight is key to a credible process, the Boards will report to the Oversight Committee at various PIR milestones and the Oversight Committee co-chairs will include FASB/GASB PIR activities in their report during the public portion of FAF Trustee meetings.

This paper provides background information on the PIR process and the Trustees' decision to change that process.

### **BACKGROUND on FAF's PIR PROCESS (2010-2019)**

The PIR process was established by the FAF Board of Trustees in 2010. The objectives of a PIR are:

- To determine whether the pronouncements are accomplishing their stated purpose.
- To evaluate the implementation and continuing compliance costs and related benefits associated with the pronouncements.
- To provide feedback to improve the standards-setting process.

When the process was first established, PIRs were conducted by a FAF PIR Team comprising experienced members of the Standards Boards' staffs released to the FAF to devote full-time efforts to the PIR function. The PIR Team, led by the FAF Chief of Staff, reported to the FAF President (not the FASB and GASB Chairs) and to the Trustees' Oversight Committee. That model was intended to ensure that PIR activities would be independent from the activities of the Standards Boards and technical staff. That said, the FAF by-laws require that standard setting be independent, including independence from the Trustees' influence. Thus, PIR reports could not include standard-setting recommendations. Nevertheless, the PIR team would discuss research results and conclusions with the respective Standards Boards, who could then decide whether to undertake standard-setting action in response to the PIR findings.

Between 2010 and 2016 16 PIRs were completed and all were of standards issued prior to 2010. The last PIR was completed in November 2016.

In 2014, with the FASB poised to issue its standard on revenue recognition and the GASB ready to issue the second of its two standards on pension accounting, the Oversight Committee agreed that

FAF PIR staff should conduct ‘post-issuance’ activities on newly issued standards that will be subject to a PIR. (At that time, a PIR was not conducted until the pronouncement had been in effect for at least three years.) Those activities included monitoring implementation of the standards and gathering PIR-type information on a real-time basis with a goal of improving the efficiency and effectiveness of the eventual PIR of those standards. To assist the FAF PIR staff in preparing for those future PIRs, the FASB and the GASB agreed to conduct research in the years following issuance of a significant standard to provide data for the future PIR of that standard. Since that time (October 2014), the FASB and the GASB have been modifying their processes to include more post-issuance/post-effective date activities to support the future PIRs.

In November 2018, the Oversight Committee was asked to consider whether the post-issuance and post-effective date activities that have been added to the Boards’ standard-setting processes and their ‘real time’ process improvement approach might give the Committee reason to reconsider whether to continue having the FAF conduct PIRs or whether to have the FASB/GASB conduct PIRs. The Committee in turn asked the standard-setting Boards to determine what the PIR process would look like if it was led by the FASB/GASB, rather than the FAF.

At the August 2019 Oversight Committee meeting, the FASB and GASB Chairs presented an approach that would embed the PIR process into the standards-setting process. As explained to the Committee, embedding PIRs into the standards-setting process affords transparency to FASB/GASB stakeholders and continues to subject the PIR process to oversight by the Board of Trustees through the Oversight Committee. The overall objective of their proposal was to embed the existing PIR objectives within a three-stage process and achieve harmonization between the post-issuance implementation monitoring and post-effective date procedures the Boards had put in place since the PIR function was first introduced. The Oversight Committee expressed support for the overall approach (which would move the PIR function from being led by the FAF to being led by the FASB/GASB) and asked the Boards to make some modifications to that approach. In November 2019, the Committee discussed that modified approach with the full Board of Trustees; the Trustees indicated support for the proposed changes. Since the PIR function was established in response to stakeholder input, the Oversight Committee asked that the proposed changes be discussed with the Boards’ advisory councils (FASAC and GASAC) before a final decision was made. In March 2020, both FASAC and GASAC discussed the proposed changes to the PIR process and expressed support for those changes – noting improvements in terms of transparency, efficiency, and effectiveness.

## **REVISED PIR PROCESS (2020)**

Consistent with the FAF’s PIR process, pronouncements that are the result of a comprehensive or major standard-setting project would normally be subject to a PIR. The standard-setting boards will determine whether a pronouncement should be subject to a PIR before the final pronouncement is issued.

The revised PIR process will comprise three stages:

- Stage 1. Post-issuance date implementation monitoring
- Stage 2. Post-effective date evaluation of costs and benefits
- Stage 3. Summary of research and reporting.

The commencement of a PIR and opportunities to participate in PIR activities will be announced publicly to stakeholders via public Board meetings, website, email (for instance, in FASB/GASB Outlook), and/or Board and staff presentations at stakeholder conferences.

### **Oversight of the PIR Process**

The PIR process will be subject to FAF Board of Trustee oversight throughout all three stages, culminating in a final report to the Oversight Committee. To assist the Trustees in their oversight role, the FASB and GASB PIR teams will consult with the FAF Chief of Staff during each phase and stage of the PIR (for example, consulted on the plan, progress, and potential necessary actions as issues arise) and will provide copies of key PIR materials (memos, surveys, and so forth) as progress is made on each PIR.

To ensure the credibility of the PIR process, the Boards will report their progress on in-process PIRs at each quarterly Oversight Committee meeting. This reporting will include the following:

1. The plan for conducting a PIR on a recently issued pronouncement.
2. Updates on the status of ongoing PIRs, including any significant concerns that arise with a pronouncement being reviewed and the Boards' response to those concerns.
3. Plans to conduct pre-agenda research to provide clarity to existing standards as a result of PIR activities conducted.