

ANDREA L. FORSTER
VICE PRESIDENT AND CONTROLLER



LETTER OF COMMENT NO. 99

May 30, 2006

Ms. Suzanne Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merrit 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: File Reference No. 1025-300
Proposed Statement of Financial Accounting Standards: Employers' Accounting for
Defined Benefit Pension and Other Postretirement Plans

Dear Ms. Bielstein:

The Pepsi Bottling Group, Inc. appreciates the opportunity to respond to the Financial Accounting Standards Board's ("FASB" or the "Board") exposure draft, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans.

We concur with the FASB's intention of improving transparency in the financial statements with regards to pension and postretirement accounting. However, we feel the proposed changes do not fully address the conceptual framework of generally accepted accounting principles. In addition, the proposed changes present many practical implementation issues, which are more fully discussed below and which may lead to less accurate disclosure.

Underfunded Status of Pension Liabilities

The use of the projected benefit obligation (PBO) to measure the pension liability is not an accurate reflection of the current market value of a company's pension liability as of the financial statement date. The PBO incorporates assumed pay increases between the evaluation date and the assumed retirement date. We believe the use of assumed future salary increases does not represent the economic obligation as of a financial reporting date.

Additionally, incorporating future salary increases contradicts Concept Statement 6, which describes the characteristics of a liability as follows: “...(b) the duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice and (c) the transaction or other event obligating the entity has already happened.” Contradictions result under both items (b) and (c). First, an entity would not have satisfied item (b) as it would have full discretion over future salary increases and ultimately have the ability to cancel the part of the *obligation that relates to future compensation levels*. Second, item (c) would not be satisfied as future salary increases have not occurred as of the financial reporting date. Notably, as discussed in paragraph 143 of SFAS 87, the Board acknowledged that there is a difference between a promise to pay a future salary and what an employer is currently obligated to pay the employee.

We believe the difference between the fair value of the pension assets and the Accumulated Benefit Obligation, which does not take into consideration future benefit increases, represents the company’s true economic obligation as of the financial reporting date. We would support the notion of eliminating the intangible asset, which is currently required under FAS 87.

The Employer’s Measurement Date

We believe there are significant implementation issues associated with measuring pension assets and liabilities as of the date of the statement of financial position.

To satisfy the SEC’s accelerated filing deadlines, we have been required to compress our accounting close and review processes. At the same time, the external auditor process has been expanded as a result of Sarbanes Oxley. Moving the measurement date to year end will add to the amount of year-end related work that will have to be completed in the compressed time frame. In order to deliver timely financial data to investors we try to release our earnings release four weeks after year end. The proposed changes will make it difficult to continue to release our earnings within a timeframe that makes them most valuable to our investors.

Specifically, our concerns with moving the measurement date to our fiscal year end are as follows:

- *Selection of discount rate* – Our discount rate is selected utilizing a high quality corporate bond yield curve that matches the timing of our expected benefit payments. The yield curve is developed by our actuarial advisers using a portfolio of several hundred high quality non-callable bonds. The process of selecting the discount rate requires coordination among preparers, auditors and actuaries. It takes several weeks to complete the process. A year-end measurement date could result in inaccurate and incomplete results or poor quality disclosures in our financial statements.

Furthermore, we currently use a September 30 measurement date, while our year end is the last Saturday in December. By selecting a month end measurement date, we are able to leverage the cost benefit of utilizing a yield curve that is used by other companies to select their discount rate. Due to the unique nature of our year end, our actuaries would have to come up with a company-specific yield curve. This would not only be an incremental cost to

our company, it may also be less accurate, as many of the bonds may not have reported data until month end. Again, this may lead to less high quality disclosure in our financial statements.

- **Reconciliation of Fair Value of Plan Assets** – It takes approximately three weeks for the actuaries, investment managers and trustees to reconcile the fair value of pension assets. In addition, our investment managers and trustees report valuations as of month end only. As a result, we would have to make special accommodations with each investment manager and trustee, which would again be a cost burden to our company.

Although, we understand and appreciate the FASB's goal of creating a more accurate reflection of fair value on the financial reporting date, we believe eliminating the three month measurement window could lead to more inaccurate and incomplete data. By requiring companies to measure the fair value of the assets at year end, companies will not have adequate time to both conduct the necessary analysis and meet the accelerated reporting requirements.

Additionally, investors demand transparency in future trends of the company. The current September 30 measurement date allows us to assess the next year's pension expense at an earlier date. This provides our management with the ability to provide more meaningful trend information.

Lastly, the information provided to investors is not enhanced by using a year-end measurement date. Measurements of pension liabilities at year end would provide estimated market values at that time. Pension liabilities, however, are long-term commitments and the associated cash flows are not affected by changes in the short-term volatility in the funded status. Thus, using a year-end measurement date does not provide the investor substantially better information than a measurement date that is only three months prior to year end, as these measures could be dramatically different once the investor obtains the published materials.

Required Effective Date

We are concerned with the effective date of the Proposed Statement. More specifically, based on the fact that the FASB's goal is to issue a final statement by September 2006, we do not believe there will be enough time for companies to adequately and thoroughly understand and implement the statement for its worldwide pension plans. There are a number of processes beyond the footnote disclosure that need to change, including the retroactive restatement of tax items, pension assets and liabilities, equity accounts and earnings.

In addition, many companies may have to renegotiate debt covenants and other contractual requirements.

We believe that three months is inadequate lead time for entities to change the historic financials and re-negotiate their contractual commitments.

Current vs. Non-current Classification on the Balance Sheet

We would suggest adding more clarity on how pension liabilities and assets should be classified as current versus non-current on the balance sheet. In particular, we would suggest providing detailed examples on how to quantify the current and non-current amounts.

We appreciate the opportunity to provide our views on the Proposed Statement and are available at your convenience to discuss our comments in more detail. You may contact me at 914-767-7668.

Sincerely,

A handwritten signature in black ink that reads "Andre Joritz". The signature is written in a cursive style with a large initial 'A' and a long, sweeping tail.

/AF