THE PEPSI BOTTLING GROUP

THOMAS M. LARDIERI
VICE PRESIDENT AND CONTROLLER

FSP132RA

LETTER OF COMMENT NO. 14

May 13, 2008

Mr. Russell G. Golden
Director of Technical Application and Implementations Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Subject: File Reference Proposed FSP FAS 132(R)-a
Proposed FASB Staff Position No. 132(R)-a, "Employers' Disclosures about Postretirement Benefit Plan Assets"

Dear Mr. Golden and Board Members:

The Pepsi Bottling Group, Inc. appreciates the opportunity to comment on the proposed FASB Staff Position (FSP) No. 132(R)-a, "Employers' Disclosures about Postretirement Benefit Plan Assets." We support the FASB's efforts to establish and improve standards of financial accounting and for the guidance and education of the public and, to that end, we are providing our comments.

Disclosures of Categories of Plan Assets

In the Background Information and Basis for Conclusions the Board notes that it decided to provide additional guidance on disclosing categories of plan assets in response to the concern (and the Board's research finding) that "many, if not most, employers solely provided the categories of equity, debt, real estate, and other investments when disclosing each major category's percentage of the fair value of total plan assets held." [Proposed FSP FAS 132(R)-a, paragraph A4]

While expanding the list of examples may provide more transparency in disclosures, there is no guidance that actually defines the term "major asset category." Without a clear definition of a major asset category, the guidance may lead to broad divergence in interpretation and disclosure. Further clarification or guidance will facilitate decisions for reporting entities as to when it would be appropriate to include another major asset category. Without that guidance the proposed FSP simply replaces one checklist with another.

PBG suggests the Board provide a clear, concise definition of the term major asset category. With appropriate guidance, entities will be able to determine when additional categories are necessary and will not be dependent upon the existing list. Also, as new investments are introduced into the market there will be no need for the Board to "revisit the list" to make sure disclosure is complete.

Disclosures about Risk Concentrations within Plan Assets

We believe the Board needs to define the term "concentration of risk" in paragraph 7. The guidance should answer the following questions: At what point does risk become concentrated? Is that point dependent on the nature of the investment? Is it dependent upon the investor? Or some other factor(s)? Does over-diversification create its own risks? There could be an unintended consequence from the proposed FSP that entities would only assess the items listed within paragraph 7 as "concentrations of risk" if additional guidance is not provided.

The proposed FSP would require disclosure of risk concentrations within and across major asset categories, which would create burdensome information tracking requirements. Resources and systems would need to be added and developed to track all possible risk concentration factors on an investment by investment basis. Once that information is collected the required assessment would need to be performed to determine whether risk concentrations exist and, if so, where. The situation would be further complicated by differing interpretatons of what items should be tracked for the risk concentration assessment if a clear concise definition is not provided for the term "concentration of risk."

In PBG's situation, day-to-day investment decisions are made by the plan custodian in accordance with our strategic policy. As a result, we would be dependent upon the tracking systems of the plan custodians for information to make the appropriate disclosures. In cases where a company has multiple plans and multiple plan custodians the disclosures could be inconsistent. Moreover, additional costs will be incurred to accommodate asset-by-asset tracking to assess risk concentration.

Disclosures about Fair Value Measurements of Plan Assets

The proposed FSP would require disclosures about pension assets similar to those required under FAS 157 for fair value measurements. PBG does not object to categorizing pension plan assets within its specific level of fair value hierarchy. However, we do have some concerns with the disclosures required for assets valued using significant unobservable inputs (Level 3), as well as the data tracking required for the proposed FAS 157-type disclosures.

Information about the Level 3 valuation techniques and inputs used to measure fair value within the financial statements could quickly become cumbersome for a well balanced portfolio. Also, because of the dynamic nature of plan asset portfolios, an inordinate amount of disclosure could be required to discuss changes in valuation techniques that arise solely due to the fact that investments have changed. Additionally, the fair value measurement disclosures create a huge dependency on third parties to provide detailed, accurate, and complete information on a timely basis. Many international and domestic custodians may not have the systems in place to track the information necessary to comply with these disclosure requirements in a timely manner. We believe obtaining the information needed to comply with the proposed FSP would be costly at best, and could very well prove impossible to obtain in some cases.

Technical Correction

PBG agrees with the Board's proposed technical correction to Statement 132(R). We believe that making this technical correction will result in more consistent financial reporting by employers with postretirement benefit plans.

Effective Date

If the proposed FSP were adopted we believe that adoption for fiscal years ending after December 15, 2008 is unrealistic. Plan custodians are currently in the midst of implementing the systems and procedures required to provide the information needed for FAS 158, which requires plan custodians to provide year-end valuation information on a more timely basis to meet accelerated reporting deadlines. We believe it is unreasonable to require plan custodians to make the dramatic changes to their systems and procedures for the proposed FSP while also implementing significant changes required by FAS 158.

Conclusion

PBG supports the Board's efforts to improve accounting and reporting. We believe that guidance is necessary to define the terms "major asset category" and "risk concentration" in order to provide a complete statement of principles. We also believe the system resources and system changes needed to track the required information will make the effective date for the proposed FSP unreasonable. However, we do believe the technical correction to FAS 132(R) would eliminate inconsistency in current practice. We hope you find our comments helpful in improving financial reporting.

Sincerely yours,

Thomas M. Lardieri