Considerations in the Retirement Income Phase of Life

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Background on International Paper

• International Paper is one of the world’s leading producers of fiber-based packaging, pulp and paper

• International Paper creates:
  – Packaging products that protect and promote goods, enable worldwide commerce and keep consumers safe
  – Pulp for diapers, tissue and other personal hygiene products that promote health and wellness; and
  – Papers that facilitate education and communication.

• IP is headquartered in Memphis, Tennessee and employs approximately 52,000 people worldwide and is strategically located in more than 24 countries serving customers around the globe
Our Goal: Keep Participants in the Savings Plan

- Pension Fund for salaried employees is freezing at the end of 2018
- Savings Plan is approximately $5.8 billion with nearly 49,000 participants
- Savings Plan offers many features attractive to all types of employees (*new hire, mid-career, near retirement, in retirement*):
  - A full suite of distribution options (e.g., installment payouts, partial lump sum payouts, etc.)
  - A brokerage window offering thousands of investment choices
  - On-line investment advice at no additional cost
  - Unique investment options like our stable value fund
  - Access to post-employment loans
- In early 2018, we improved our spend-down program and believe we now have a full range of attractive retiree-focused Savings Plan features that will encourage more participants to remain in the plan long after they retire
  - IP believes it is important for employees to remain under the protection of a fiduciary umbrella, not only when they are working, but also in retirement
Those aged 55 and older (almost 19,000) participants are either eligible for retirement, considering retirement, or already in retirement.
• Participants often have different levels of income replacement/pools of assets
• Offering different sources/multiple dimensions of income helps create a “paycheck for life”
IP launched its spend-down program in 2013 to help employees convert their Savings Plan balances into steady payouts in retirement.

On January 1, 2018, the program was improved with the addition of two features:
- Long Bond Fund option – would increase projected payouts by up to 10%
- Annuity option – would help participants address longevity risk

Improving spend down programs is a good way to address employees’ retirement concerns as we shift from pension-only retirees to retirees that will depend on decumulation of 401k plan assets.

IP has been an innovator in retirement savings plan design and evaluating a more robust spend-down strategy was part of this mission.
Everyone 55+ receives a Retirement Evaluation

- Financial Engines On-line Advice and Managed Accounts, *Income+* is offered to IP plan participants
- *Income+* is only offered to participants that are age 55 and older
Added a Long Bond Option and Out-of-Plan Annuity Platform to the Plan

- A Long Bond Fund addition to the Savings Plan
  - As with pension plans, long duration fixed income can play an important role in asset/liability management for individuals
    - Financial Engines *Income+* program will use long bonds in its modeling tool to help increase participants’ income profile for those aged 55+
  - Long duration fixed income is a large, liquid asset class that offers participants diversification benefits, especially in periods of significant equity drawdowns

- Hueler Income Solutions is an out-of-plan annuity platform where a participant can annuitize a portion of the retirement savings plan balance (immediate, deferred, longevity insurance, QLAC)
  - Offers institutional priced, competitive offering to participants across various insurance providers
  - Insurance specialists are available to speak with plan participants to address all questions
Questions