

Retirement Questions and Answers



IP Benefits You

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As you approach retirement, you will probably have a lot of questions. You will be seeing terms that are unfamiliar to you, and you will be asked to make important decisions. This booklet contains answers to the most commonly asked retirement questions. It is broken down into six sections:

- ◆ General information;
- ◆ Common pension terms;
- ◆ Spouses and other beneficiaries;
- ◆ Taxes;
- ◆ Process and documentation; and
- ◆ Other benefits.

If you have other questions and you are at a location serviced by the Employee Service Center (ESC), please call the toll-free number.

If you are not serviced by the ESC, contact your local human resources representative for assistance.

General Information

Q. How will I know if I completed everything correctly?

- A. First, read the instructions that accompany your retirement package carefully. Your package contains a checklist that you can use to help ensure you have completed everything correctly. Once you have returned your retirement package, it will be checked by the benefit administration staff. You then will be notified if additional information is necessary.

You are strongly encouraged to return your completed paperwork as early as possible and no later than your retirement date. Paperwork which is received late or that is incomplete or incorrect may result in a delay of your retirement benefit.

Q. Once I retire, can I change my benefit election?

- A. *No. Once you retire, you cannot change your form of benefit. You should choose your form of benefit carefully, taking into consideration things such as your future financial obligations, lifestyle and alternate sources of income.*

Q. Will my International Paper benefit change once I start collecting Social Security?

- A. No. Your International Paper benefit will be paid to you according to the option you elect at the time you retire. *However, should you elect to receive your benefit under one of the leveling options, your International Paper benefit will be reduced at age 62.*

Q. My pension formula uses Social Security in determining my International Paper benefit. Is that what I should expect to get from Social Security?

A. Some of the pension formulas in the Retirement Plan of International Paper Company use an estimate of your Social Security benefits in determining how much you get from International Paper. Because it is an estimate of your Social Security benefit, the actual amount you receive from Social Security may be more or less than the estimate. However, your International Paper benefit will not change if your actual Social Security benefit is different from the estimated amount.

Q. May I use the actual earnings reported to the Social Security Administration to determine the Social Security benefit used in my pension formula?

A. Yes, within 180 days (before or after) your retirement date you may request that your actual earnings, as reported by the Social Security Administration, be used. However, once you provide your actual earnings, those earnings will be used in the calculation, whether it results in a higher or lower benefit. Contact the Social Security Administration to request a copy of your earnings history.

Q. Can I receive my pension in a lump sum?

A. Generally, lump-sum pension benefits are not available. If all or any portion of your benefit is available in a lump sum, it will be noted on your election forms.

Q. Can I outlive my benefit?

A. No. Under any of the annuity options, your benefit will be paid to you until you die regardless of how long you live after retirement.

Q. How do I know which form of payment is best for me?

A. The selection of a form of benefit payment is a very personal one — no single answer is correct for everyone. A financial advisor can help you decide what is best for you. If you do not have a financial advisor, you may want to consider these questions:

- What are my financial obligations, now and into the future?
- Do I have other sources of income, such as savings? Does my spouse have a pension? Will I work elsewhere after retirement?
- How long do I expect to live, given my current health and family history? (Be careful with this one; many people underestimate their life expectancy!)
- What type of lifestyle do I want to have in retirement?
- How will my income be affected by inflation?

Remember, your election cannot be changed once you retire.

Q. What should I do if I don't understand something in the package?

A. If you cannot find the answer to your question in the materials that accompany your retirement paperwork and you work at a location serviced by the ESC, you should call the toll-free number at the Employee Service Center.

If you work at a location not serviced by ESC, contact your local human resources representative.

Common Pension Terms

Q. What is a “form of payment”?

A. Your “form of payment” election determines how you will receive your pension benefits from International Paper. You have a choice of having your benefits paid only to you over your lifetime or to you and a beneficiary over the combination of your lifetimes. The standard form of payment for married participants is the 50 percent joint and survivor benefit. The standard form of payment for an unmarried participant is the single life annuity. All of the other forms of benefit on the election form are optional forms of payment. *You may choose only one of these payment options and, once you have retired, you cannot change it.*

Q. What is a single life annuity?

A. Under a single life annuity option, a pension payment is made to you monthly from your retirement date until your death. If you choose this option, no additional benefits are payable after your death, even if you have a surviving spouse or other beneficiary. If you are married at the time you retire, your spouse must consent, in writing, to your choice of the single life annuity.

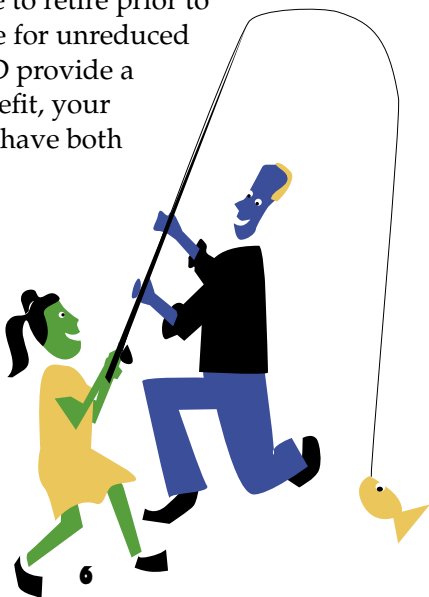
Q. What is an actuarial reduction?

A. The purpose of an actuarial reduction is to create roughly equivalent benefits, over their lives, for the person who chooses a single life annuity and one who selects one of the available joint and survivor or years certain options. The reduction factors are based on standard tables of life expectancy. If you choose a

joint and survivor option, International Paper would expect to pay out the same amount of benefit to you and your beneficiary as it would have paid to you alone under the single life annuity option. Of course, the actuarial tables are developed using the experience of very large groups of people, so the total benefits paid to you (and your survivor) may be more or less than the “expected” amount.

Q. What is the difference between the actuarial reduction for a survivor benefit and the reduction for early retirement? Can they both affect my pension?

- A. There are two ways your pension benefit can be adjusted. The first, actuarial reduction, adjusts the single life annuity amount determined by the formula to provide a survivor benefit after your death. The second, early retirement reduction, is an adjustment to reflect that you retired before you were eligible for unreduced benefits (determined by your age at retirement). Each of the adjustments is the result of an independent decision you make about how you will receive your benefits. If you choose to retire prior to being eligible for unreduced benefits AND provide a survivor benefit, your pension will have both adjustments.



Q. What does “level income option” mean?

A. The level income option is designed to allow retirees to keep their retirement income, from both International Paper and Social Security, approximately level throughout retirement. It is available to some participants who retire prior to age 62.

Under the level income option, you receive increased benefits between your retirement and age 62, and decreased benefits after age 62. The increased amount you receive is based on your estimated Social Security benefit, as determined at the time you retire, and your age at retirement. Because the increased amount you receive prior to age 62 and the decreased amount to your benefit after age 62 are based on your estimated Social Security benefit at the time you retire, what you actually receive from Social Security may be more or less than the estimated amount. If you choose the level income option, you are not required to commence your Social Security benefits at age 62. However, you will have a decrease in your monthly income payable from the Plan at age 62.

Q. How does a “years certain” benefit work?

A. Under the “years certain” option, your benefit is paid to you or your beneficiary from the date of your retirement until your death or the end of the guaranteed period, whichever is later. If you die before the guaranteed period is over, the remaining payments in the guaranteed period are paid to your beneficiary. If you live beyond the guaranteed period, your benefit will continue until your death.

Spouses and Other Beneficiaries

Q. What does a joint and survivor form of payment provide?

A. “Joint and survivor” means that a pension payment will be made to you for as long as you live. If you die before your spouse or other designated beneficiary, a pension payment will be made to your surviving spouse or other designated beneficiary for as long as he or she lives. After that person’s death, no additional benefits are payable. In short, by selecting a joint and survivor annuity option, you provide a measure of financial protection for your surviving spouse or other designated beneficiary in the event of your death.

Q. Why is the amount paid to me under a joint and survivor option lower than the single life annuity amount?

A. When you take a joint and survivor benefit, you are asking that your benefit be paid out over two lives: yours and your spouse’s or beneficiary’s. Effectively, by taking less of a benefit while you are alive, you are “paying” for the right to benefits for your surviving spouse or other designated beneficiary after your death. The amount you pay, also called an actuarial reduction, depends upon the ages of both you and your surviving spouse or other designated beneficiary at retirement.

Q. Can I name someone other than my spouse as beneficiary of my pension?

A. Yes, you can name any person you wish. Remember, if you are married at retirement, your spouse must consent in writing to the selection of someone other than himself or herself.

Q. If my spouse or other beneficiary dies before I do, can I name another beneficiary?

A. No. Once you have named a beneficiary and your payments have commenced, you cannot change that beneficiary for any reason, unless you chose a years certain option.

Taxes

Q. Do I have to pay taxes on my pension?

A. Yes. Your pension payments are subject to federal income tax and possibly state and local taxes. A financial advisor or your local state tax office can tell you which state and local taxes apply.

Q. Do I have to have federal income taxes withheld from my pension?

A. You are not required to have taxes withheld from your pension payments, but you should be aware that by not having taxes withheld you may need to file quarterly estimated tax returns and make payments. A financial or tax advisor can help you decide which tax strategy is appropriate for you. Even if you do not want taxes withheld, you still must complete a form W-4P indicating that you do not want taxes withheld.

If you are unsure of the amount of tax to have withheld and do not have someone to advise you, you should choose the level that you think is most appropriate for your situation. You always can adjust the level of tax withholding in the future.

Q. Are Social Security taxes taken from my pension?

A. No. Payments from qualified pension plans, like the Retirement Plan of International Paper Company, are not subject to Social Security (FICA) taxes.

Q. Will state and local taxes be withheld from my pension payments?

A. State taxes will be withheld from your pension payment only at your request, unless you live in a state with mandatory tax withholding. Local taxes, which are separate from your state tax, are not withheld.

Process and Documentation

Q. What documents do I have to provide to International Paper along with my pension election form?

A. You will need to provide copies of your birth certificate, the birth certificate of your spouse or other designated beneficiary, your marriage certificate (if applicable), proof of divorce or proof of name change (if applicable) and a voided check or deposit slip. Do not send originals of any of these documents as they will be kept with your completed forms and will not be returned to you. Your pension payments cannot start if you do not provide these documents.

Q. Why do you need my birth certificate and other documents?

A. These documents are needed to confirm that the assumptions regarding age and marital status used in preparing your pension calculations are accurate. Incorrect ages may result in the wrong level of benefit being paid to you. It is a requirement of the law that your marital status be verified, as a minimum survivor benefit is

payable to your surviving spouse unless your spouse specifically waives that right.

Q. When do I have to return my forms and other documents?

A. Your forms must be postmarked no later than 45 calendar days from the date of your retirement package. If you do not return your package by that date, it will expire and the benefit commencement date used in it will no longer be valid. You will be required to request a new package with a new benefit commencement date. This IRS rule is to ensure that you and your beneficiary have current information to make your retirement election.

Q. Why does my spouse have to sign the papers too?

A. By law, people who are married at the time of their retirement must provide at least a 50 percent survivor benefit to their spouse unless the spouse specifically waives his or her right to that benefit. By having your spouse sign your pension forms, International Paper knows that your spouse has consented to your benefit selection.

Q. When will I get my first check?

A. You should receive your first pension payment in your first month of retirement, either at the beginning or end of the month depending upon where you worked.

Q. Do I have to have my pension directly deposited into a bank account?

A. International Paper strongly encourages that direct deposit be used for pension payments. Direct deposit ensures the timely receipt of your pension benefits and eliminates the need for a special trip to the bank. Please be sure to keep your address current with International Paper.

Q. Can my pension check be deposited into more than one bank account?

- A. No. International Paper allows you to name only one bank account. If you wish to have the funds redirected into other accounts, you should make arrangements for that with your bank.

Other Benefits

Q. What happens to my life insurance at retirement?

- A. Information on retiree life insurance coverage and available conversion options is outlined on the forms included with your retirement package, if applicable.

Q. What happens to my medical insurance at retirement?

- A. Some retirees of International Paper are eligible for retiree medical insurance. Your eligibility and applicable contributions are described on the Retiree Medical Enrollment Form in your retirement package. You also can get this information from the summary plan description.



Q. If I am currently covered for dental insurance, can I continue dental coverage after I retire?

- A. Some retirees of International Paper are eligible for retiree dental insurance. Your eligibility and applicable contributions are described on the Retiree Medical Enrollment Form in your retirement package. You also can get this information from the summary plan description.

Q. What happens to my savings plan balance when I retire?

- A. Your savings plan balance is available to you at any time after you retire.* If you are at a location serviced by the ESC, call the ESC for more information. If you are at a location not serviced by the ESC, contact JP Morgan/American Century.

* You need to make an election about distribution of your account once you retire, either receiving it immediately or deferring it until a later date.



INTERNATIONAL PAPER

International Paper is an equal opportunity employer. M/F/D/V

November 2004

Printed on Via Natural, 80 Text, Smooth.

RET_QA_2004