

PACKAGING CORP OF AMERICA
Form 11-K
June 28, 2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED,
EFFECTIVE OCTOBER 7, 1996]**

For the fiscal year ended December 31, 2003

or

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE
REQUIRED]**

For the transition period from to

Commission file number 1-15399

A.
Full title of the plan and the address of the plan, if different from that of the issuer named below:

**Packaging Corporation of America
Retirement Savings Plan for Salaried Employees**

B.
Name of the issuer of the securities held pursuant to the plan and the address of its principal executive office:

Packaging Corporation of America

1900 West Field Court

Lake Forest, IL 60045

Packaging Corporation of America
Retirement Savings Plan for Salaried Employees

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Report of Independent Registered Public Accounting Firm

Benefits Administration Committee

Packaging Corporation of America Retirement Savings Plan for Salaried Employees

We have audited the accompanying Statements of Assets Available for Benefits of the Packaging Corporation of America Retirement Savings Plan for Salaried Employees as of December 31, 2003 and 2002, and the related Statements of Changes in Assets Available for Benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets available for benefits of the Plan at December 31, 2003 and 2002, and the changes in its assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2003 is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ernst & Young LLP

Chicago, Illinois
June 22, 2004

Packaging Corporation of America
Retirement Savings Plan for Salaried Employees
Statements of Assets Available for Benefits

Assets	December 31,	
	2003	2002
Interest in Master Trust	\$ 130,776,552	\$ 103,663,917
Participant loans	3,142,842	3,055,564
Contributions receivable:		
Company	218,211	199,924
Participants	344,993	305,914
Prepaid administrative expense	21,843	40,088
Assets available for benefits	\$ 134,504,441	\$ 107,265,407

See accompanying notes.

Packaging Corporation of America
Retirement Savings Plan for Salaried Employees
Statements of Changes in Assets Available for Benefits

	Year Ended Dec. 31, 2003	Year Ended Dec. 31, 2002
Additions		
Contributions:		
Company	\$ 5,761,259	\$ 5,470,678
Participants	9,265,481	8,682,240
Rollover	216,591	213,122
Net investment income (loss) from Master Trust	19,843,093	(9,840,539)
Interest income, loans	126,352	181,829
Total additions	35,212,776	4,707,330
Deductions		
Administrative expenses	186,380	227,677
Benefit payments	7,787,362	6,242,985
Total deductions	7,973,742	6,470,662
Net increase (decrease)	27,239,034	(1,763,332)
Assets available for benefits at beginning of year	107,265,407	109,028,739
Assets available for benefits at end of year	\$ 134,504,441	\$ 107,265,407

See accompanying notes.

Packaging Corporation of America
Retirement Savings Plan for Salaried Employees

Notes to Financial Statements

December 31, 2003

1. Description of the Plan

The following description of the Packaging Corporation of America (the Company or PCA) Retirement Savings Plan for Salaried Employees (the Plan) provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan's provisions.

General

The Plan is a defined-contribution plan, established February 1, 2000, and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Plan covers salaried employees of the Company and each of its domestic subsidiaries that have adopted the Plan, who have completed six months of service, as defined.

Contributions

Upon enrolling in the Plan, participants may contribute between 1% and 50% of pretax annual compensation, as defined, with such contributions limited to \$12,000 in 2003 for employees under age 50 and \$14,000 for employees 50 years and older. The limit in 2002 was \$11,000 for all employees. Participants may also rollover qualifying distributions from other qualified plans.

The Company matches participant pre-tax contributions on the following basis:

The first 4% of pre-tax contributions are matched at a rate of 80%.

The next 4% of pre-tax contributions are matched at a rate of 50%.

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The Company does not match pre-tax contributions in excess of 8% of annual compensation. All Company matching contributions are invested in the PCA Common Stock Fund. Participants may not transfer or withdraw the value of PCA Common Stock purchased with Company matching contributions until attainment of age 55, or upon termination of employment and subsequent request for final distribution or rollover.

Salaried employees hired by the Company after April 12, 1999, who have completed one year of service, receive an additional retirement savings contribution annually equal to 2% of eligible pay, as defined. The contribution will be made on behalf of the employee regardless of whether or not the employee is contributing to the Plan.

Participant Accounts

Each participant's account is credited with the participant's contributions, Company contributions, and an allocation of Plan earnings/(losses) and is charged with an allocation of administrative expenses. Allocations are based on account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Vesting

Participants are immediately 100% vested in the value of their pre-tax and Company matching contributions and rollovers from other qualified plans.

The retirement savings contribution becomes 100% vested upon completion of 5 years of service or upon reaching 65 years of age, permanent disability or death while employed by the Company. Forfeited balances of nonvested terminated participants will be applied to reduce future Company contributions.

Investment Options

Participants may elect to invest their account balances, except for the matching contributions and related earnings, in any of the

available investment options provided by the Plan. The matching contributions and related earnings are invested in the PCA Common Stock Fund.

Participants may change their investment options on any business day.

Benefit Payments

In the event of retirement (as defined), death, permanent disability, or termination of employment, the vested balance in the participant's account will be distributed to the participant or the participant's beneficiary in a single lump-sum cash payment. The portion of the participant's account invested in the PCA Common Stock Fund will be distributed in kind. In-service withdrawals of rollover contributions and related earnings are available for any reason. In-service withdrawals of certain predecessor plan account balances, as defined, are available for any reason. Participants age 55 or older may withdraw the entire value, or any portion thereof, of their Company matching contributions and related savings at any time. Participants age 59½ or older may withdraw the entire value, or any portion thereof, of their Plan account balance at any time.

Administrative Expenses

Administrative expenses are paid from Plan assets, to the extent not paid by the Company.

Participant Loans

A participant may borrow an amount up to the lesser of \$50,000 or 50% of their vested account balance. The minimum loan amount is \$1,000. Such loans, which are payable over a term specified by the Plan, bear interest at the prime rate as published by the *Wall Street Journal* and are secured by a participant's account balance in the Plan. Loans must be repaid within 54 months with principal and interest payments made through payroll deductions.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

2. Significant Accounting Policies

Investment Valuation and Income Recognition

The Plan's beneficial interest in the PCA Master Trust (Master Trust) represents the Plan's share of the Master Trust's investments stated at fair value. Securities traded on a national securities exchange are valued by the Master Trust at the last reported sales price on the last business day of the plan year; investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued by the Master Trust at the average of the last reported bid and ask prices. The fair value of participation units owned by the Master Trust in the common collective trust and mutual funds and the fair value of the commingled fund were based on quoted redemption value on the last business day of the Plan's fiscal year. Participant loans are stated at their unpaid principal balance, which approximates fair value.

Purchases and sales of securities are recorded on a trade-date plus one day basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Contributions

Participant contributions are made through payroll deductions and recorded in the period the deductions are made. Company contributions are deposited as soon as administratively practicable after each pay period.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Plan Administrator to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain amounts in last year's financial statements have been reclassified to conform to the current year's presentation.

3. Master Trust

The Master Trust includes assets of the Plan and the Packaging Corporation of America Thrift Plan for Hourly Employees. The Plan's investment in the Master Trust is stated at the Plan's equity in the assets of the Master Trust at December 31, 2003 and 2002.

The following table presents the fair value of investments for the Master Trust:

	December 31,	
	2003	2002
Assets		
Mutual funds	\$ 93,707,825	\$ 61,153,513
Common collective trust fund	61,675,100	60,892,586
Common stock	35,897,056	30,269,524
Commingled fund	15,108,198	10,378,146
Short-term investment fund	331,607	
Total assets	\$ 206,719,786	\$ 162,693,769
Plan's percentage interest in Master Trust at December 31, 2003 and 2002	63.26%	63.72%

The common stock fund included 1,103,638 and 946,626 shares of PCA, with a market value of \$24,125,536 and \$17,699,259 at December 31, 2003 and 2002, respectively.

Investment income is allocated to each participating plan in the Master Trust at the end of each month. The allocation is based on each plan's individual interest in the Master Trust.

Investment income (loss) for the Master Trust was as follows:

	Year Ended December 31, 2003	Year Ended December 31, 2002
Interest	\$ 2,740,908	\$ 2,950,569
Dividends	1,147,071	1,164,758
Other income	25,142	
Net realized and unrealized appreciation (depreciation) in fair value of:		
Mutual funds	18,857,265	(21,689,641)
Common stock	5,011,561	2,567,464
Commingled fund	3,116,208	(2,983,859)
Total investment income (loss)	\$ 30,898,155	\$ (17,990,709)

4. Nonparticipant Directed Investments

Information about the assets and the significant components of the changes in assets relating to the PCA Common Stock Fund (included in the Master Trust), which includes participant directed and nonparticipant directed investments, is as follows:

	December 31,	
	2003	2002
Assets:		
Interest in the PCA Common Stock Fund	\$ 23,464,795	\$ 16,843,903
Contributions receivable:		
Company	194,305	181,178
Participants	18,576	19,348
Total assets	\$ 23,677,676	\$ 17,044,429

	Year Ended December 31, 2003	Year Ended December 31, 2002
Changes in assets:		
Contributions:		
Company	\$ 5,129,208	\$ 5,107,112
Participants	568,039	514,836
Rollovers	2,832	4,497
Interest and dividend income	195,055	8,199
Net realized and unrealized appreciation (depreciation) in fair value of investments	3,834,696	(68,861)
Benefits paid	(892,756)	(582,755)
Administrative expenses	(50,238)	(36,395)
Transfers to other investment accounts	(2,153,589)	(514,022)
Net increase in net assets	6,633,247	4,432,611
Assets at beginning of year	17,044,429	12,611,818
Assets at end of period year	\$ 23,677,676	\$ 17,044,429

5. Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated May 9, 2001, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax exempt.

6. Risks and Uncertainties

The Master Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Assets Available for Benefits.

7. Subsequent Event

PCA's Board of Directors approved the appointment of The Northern Trust Company as trustee for the Plan's Master Trust on March 11, 2004, to become effective on July 1, 2004.

Supplemental Schedule

Packaging Corporation of America
Retirement Savings Plan for Salary Employees

Schedule H, Line 4i Schedule of Assets
(Held at End of Year)

December 31, 2003

Description of Issue	Current Value
Participant loans Interest rates ranging from 4.00% to 9.50% *	\$ 3,142,842

* Represents a party in interest to the Plan.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the Benefits Administration Committee of Packaging Corporation of America has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Packaging Corporation of America
Retirement Savings Plan for Salaried Employees
(Name of Plan)

Date: June 28, 2004

/s/ STEPHEN T. CALHOUN
Stephen T. Calhoun
Vice President-Human Resources

INDEX TO EXHIBIT

Exhibit Number	Description
23.1	Consent of Independent Registered Public Accounting Firm