RAYONIER INC
Form 11-K
June 27, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 11-K
(Mark One):
[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the year ended December 31, 2016
OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________

COMMISSION FILE NUMBER 1-6780

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

RAYONIER INVESTMENT AND 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:

RAYONIER INC.
225 Water Street
Suite 1400
Jacksonville, Florida 32202
Telephone Number: (904) 357-9100

RAYONIER INVESTMENT AND SAVINGS
PLAN FOR SALARIED EMPLOYEES
AS OF DECEMBER 31, 2016 AND 2015
AND FOR THE YEAR ENDED DECEMBER 31, 2016
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Pension and Savings Plan Committee of the
Rayonier Investment and Savings Plan for Salaried Employees
Jacksonville, Florida

We have audited the accompanying statements of net assets available for benefits of the Rayonier Investment and Savings Plan for Salaried Employees (the “Plan”) as of December 31, 2016 and 2015, and the related statement of changes in net assets available for benefits for the year ended December 31, 2016. 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. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 net assets available for benefits of the Plan as of December 31, 2016 and 2015, and the changes in net assets available for benefits for the year ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

The accompanying schedule of assets (held at end of year) as of December 31, 2016, has been subjected to audit procedures performed in conjunction with the audit of the Plan’s financial statements. The supplemental schedule is the responsibility of the Plan’s management. Our audit procedures included determining whether the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ ENNIS, PELLUM & ASSOCIATES, P.A.

Ennis, Pellum & Associates, P.A.
Certified Public Accountants
Jacksonville, Florida
June 27, 2017

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RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31,

	2016	2015
ASSETS		
Investments:		
Investments, at fair value (Notes 2 and 3)	$48,548,245	$41,768,655
Investments, at contract value (Note 2)	19,977,022	19,284,644
Total investments	68,525,267	61,053,299
Receivables:		
Notes receivable from participants	341,384	314,614
Employer contributions	—	21,736
Accrued interest and dividends	38,512	35,349
Total receivables	379,896	371,699
TOTAL ASSETS	68,905,163	61,424,998
LIABILITIES		
Payables:		
Accrued investment fees	(9,702)	—
TOTAL LIABILITIES	(9,702)	—
NET ASSETS AVAILABLE FOR BENEFITS	$68,895,461	$61,424,998

The accompanying notes are an integral part of these financial statements.

RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31,

ADDITIONS TO NET ASSETS:	2016
Net appreciation in fair value of investments	$5,564,587
Participant contributions	2,093,482
Interest and dividends (Note 4)	1,563,260
Employer contributions	1,184,191
Rollover contributions	382,140
Interest on notes receivable from participants	14,606
	10,802,266
DEDUCTIONS FROM NET ASSETS:	
Distributions to participants	(3,331,803)
Net increase	7,470,463
Net assets available for benefits:	
Beginning of year	61,424,998
End of year	$68,895,461

The accompanying notes are an integral part of these financial statements.

RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES
NOTES TO FINANCIAL STATEMENTS

1. Description of the Plan

The following brief description of the Rayonier Investment and Savings Plan for Salaried Employees (the “Plan”) is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan’s provisions.

General

The Plan is a defined contribution plan covering all eligible salaried employees of Rayonier Inc. and subsidiaries (“Sponsor” or the “Company”). Salaried employees are eligible to participate in the Plan immediately and are automatically enrolled after completing 45 days of eligible service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”).

Massachusetts Mutual Life Insurance Company (“MassMutual”) serves as the custodian and record keeper of the Plan, and maintains and administers the Plan’s investment assets for the benefit of participants. The trust forming part of the Plan (the “Trust”) maintains the Plan’s investments in both Rayonier Inc. and Rayonier Advanced Materials Inc. common stocks and is administered by Reliance Trust Company.

Contributions

Participants may contribute one percent to 100 percent of eligible compensation. Contributions may be made on a before-tax basis, after-tax basis or a combination thereof. Effective June 1, 2016, employees can elect to contribute one to 100 percent of their annual bonus (beginning with their 2016 bonus, payable in 2017) as eligible compensation into the plan.

The Company makes a matching contribution of 60 percent of the first six percent of each participant’s eligible compensation contributed to the Plan.

Employees hired prior to January 1, 2006 are eligible for the Company’s defined benefit pension plan (“pension plan”). The Company may, at its discretion, contribute one-half of one percent of each participant’s eligible compensation to the participant’s retirement account (“retirement contributions”). For the plan year 2016, this discretionary contribution was made. Effective December 31, 2016, the Company froze benefits for all employees participating in the pension plan. Beginning January 1, 2017, in lieu of the pension plan and the one-half of one percent retirement contribution, employees may, at the Company’s discretion, receive a contribution (“enhanced retirement contribution”) of three percent of their eligible compensation in addition to the standard matching contribution, similar to what is provided to employees hired after December 31, 2005.

Employees hired after December 31, 2005 are not eligible for the Company’s pension plan. These employees may, at the Company’s discretion, receive the enhanced retirement contribution. Effective June 1, 2016, eligible employees began to receive the enhanced retirement contribution each pay period versus annually and the contribution is no longer contingent on the participant being employed on the last day of the year. In June 2016, the Company made a one-time lump sum contribution to eligible employees' accounts for the period of January 1, 2016 through May 31, 2016. Furthermore, the compensation used to calculate the enhanced retirement contribution will include overtime and additional straight time in addition to base pay and annual bonus.

Each year, participants may contribute up to the maximum allowed by the Internal Revenue Code (“IRC”). In addition, the Plan allows for “catch-up” contributions by participants age 50 years and older as of the end of the Plan year. The Plan permits rollovers from other qualified plans into the Plan.

RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES
NOTES TO FINANCIAL STATEMENTS

Participant Accounts

Each participant's account is credited with the participant's contributions and the related Company contributions. Plan earnings and losses are allocated to participant accounts based upon account balances.

Vesting

Participants are immediately fully vested in their contributions, as well as retirement contributions, plus actual earnings/losses thereon. Participants vest in the Company matching contributions and enhanced retirement contributions at a rate of 20 percent per year of service. Full vesting occurs after five years of service.

Forfeitures

Forfeited non-vested accounts may be used to reduce future employer contributions or to pay for administrative expenses related to the Plan. Total forfeitures were $68,904 for the year ended December 31, 2016. During 2016, forfeitures of $61,729 were utilized to reduce employer contributions. An insignificant amount of interest income is earned on the funds held in this account. At December 31, 2016 and 2015, the balance in forfeited, non-vested accounts totaled $72,522 and $63,097, respectively, and remains available in the Stable Value Fund ("MassMutual GIA").

Investment Options

Participants direct the investment of their contributions into various investment options offered by the Plan, as listed in the accompanying schedule of assets held at the end of the year.

Participants are prohibited from transferring into the Rayonier Inc. Common Stock Fund, most mutual funds and similar investment options if they have transferred into and out of the same option within the previous 60 days. The MassMutual GIA is not subject to this rule nor does this rule prohibit participants from transferring out of any option at any time. As of June 1, 2016, the Rayonier Inc. Common Stock Fund was closed to new contributions. Transfers out of the fund will continue to be permitted, but no new investments or transfers into the fund will be allowed. Participants are prohibited from transferring into the Rayonier Advanced Materials Common Stock Fund, but transfers out may occur at any time.

Notes Receivable from Participants

Participants may borrow a minimum of $1,000 from their individual accounts. Loan amounts may not exceed the lesser of (a) 50 percent of the participant's vested balance or (b) $50,000 reduced by the participant's highest outstanding loan balance, if any, during the prior one-year period. In no event may a participant borrow from enhanced retirement contributions provided by the Company. Loan terms range from one to five years or up to 15 years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at the prime rate plus one percent. Principal and interest are paid ratably through semi-monthly payroll deductions. Loan transactions are treated as transfers between the investment funds and the loan fund.

Payment of Benefits and Withdrawals

Plan benefits are payable to participants at the time of termination or retirement, in the case of becoming disabled, or to their beneficiaries in the event of death, and are based on the fully vested balance of their account. Alternatively, a participant may elect to defer distribution until April 1 of the year following the participant's attainment of age 70-1/2, provided the participant's vested account balance exceeds $1,000. In the event of termination of employment before retirement, a participant's account balance will be distributed in a lump sum, or if the balance exceeds $1,000, over future periods or deferred.

Withdrawals may be made from the principal portion of a participant's after-tax account balance in excess of a prescribed minimum at any time. Withdrawals from before-tax account balances and earnings from after-tax account balances are allowable before attaining the age of 59-1/2 in the case of financial hardship. Existence of financial hardship is determined by Internal Revenue Service ("IRS") criteria.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Plan are prepared under the accrual method of accounting.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value, with the exception of fully benefit-responsive investment contracts. See Note 3 - Fair Value Measurements for additional information.

Fully benefit-responsive investment contracts, such as those held in the MassMutual GIA, are reported at contract value pursuant to Accounting Standards Update ("ASU") No. 2015-12. Contract value (generally equal to historical cost plus accrued interest) is the relevant measure for fully benefit-responsive investment contracts because it represents the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As required by the accounting standards update, all Plan investments in such contracts are presented at contract value in the Statements of Net Assets Available for Benefits. The guaranteed interest rate was 3.29 percent as of December 31, 2016 and 2015. The guaranteed interest rate is determined every six months.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (i) amendments to the plan documents (including complete or partial plan termination); (ii) breach of contract; or (iii) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The Plan Administrator does not believe the occurrence of any such event is probable.

Purchases and sales of securities are recorded on a trade-date basis. Interest income and dividends are recorded on an accrual basis. See Note 3 - Fair Value Measurements for additional information.

Notes Receivable from Participants

Participant loans are recorded as "Notes receivable from participants" and measured at their unpaid principal balance plus any accrued but unpaid interest in the Statements of Net Assets Available for Benefits as of December 31, 2016 and 2015. No allowance for credit losses has been recorded as of December 31, 2016 and 2015. Defaulted participant loans are reclassified as distributions based upon the terms of the Plan document.

Risks and Uncertainties

The Plan 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 Net Assets Available for Benefits.

Payment of Benefits

Benefits are recorded when paid.

Operating Expenses

Certain expenses of maintaining the Plan are paid by the Sponsor and recorded on an accrual basis. Fees charged by the individual funds and participant specific expenses are deducted from the participant's balance and included within Net appreciation in fair value of investments in the Statement of Changes in Net Assets Available for Benefits.

RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES
NOTES TO FINANCIAL STATEMENTS

Subsequent Events

The Plan has evaluated events and transactions that occurred after the balance sheet date but before the financial statements were issued. No events occurred that warranted disclosure.

3. Fair Value Measurements

Financial assets and liabilities disclosed in the financial statements on a recurring basis are recorded at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The guidance establishes a three-level hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Plan’s investments at fair value, as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Investments at Fair Value:				
Rayonier Inc. Common Stock Fund	$12,810,735	—	—	$12,810,735
Rayonier Advanced Materials Common Stock Fund	1,851,823	—	—	1,851,823
Mutual Funds	5,135,558	—	—	5,135,558
Total Investments in the Fair Value Hierarchy	$19,798,116	—	—	19,798,116
Investments Measured at Net Asset Value (a):				
Pooled Separate Accounts				28,750,129
Total Investments at Fair Value				$48,548,245

RAYONIER INVESTMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES
NOTES TO FINANCIAL STATEMENTS

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value, as of December 31, 2015:

Level 1	Level 2