

Employees' Benefits Fair on Oahu Well Attended

On Monday, May 18, 2015, approximately 737 employees attended the Employees' Benefits Fair held at the Harbor View Center (located in Pier 38). Employees took the opportunity to meet with several members of the Island Savings Plan's ("Plan") Board of Trustees ("Board") and talked with representatives from the Plan's investment fund companies. Also on hand to provide information on employment benefits and answer questions were representatives from the Employees' Retirement System, the Hawaii Employer Union Trust Fund (EUTF) and the EUTF's Health Plan carriers, the Island Flex (Flexible Spending Account) Plan, and the HI 529 College Savings Program.

To encourage attendees to visit all of the provider tables, a 'passport' was handed out and stamped at each booth visited and an I\$P branded luggage tag was the prize for completing the journey with a fully stamped passport.

Attendees participated in the 'Longevity Experiment' where they were asked to place a circle cutout on a display representing the oldest person that they have known. This fun and interactive exercise continues to create a lot of discussion about how many years retirement could potentially last and the importance of being prepared. All of the workshops on various topics were well attended, and employees found the materials to be very informative.



Fund Updates

On June 30, 2015, the William Blair Small-Mid Cap Growth Fund replaced the Century SMID Cap Growth Fund. Information on the new investment fund is available on the Plan's website under the Plan Highlights & Investments section.

Stable Value Fund: Effective July 1, 2015, the third quarter 2015 rate is 2.96%.

On the watch list: Victory Institutional Diversified Stock Fund*, MainStay Large Cap Growth Fund*, and PIMCO Total Return Fund*.

What is the "Watch List?"

The Board, in conjunction with its investment consultant, monitors the performance of the Plan's investment options.

Each investment option's performance is evaluated based on qualitative and quantitative standards, and against the benchmarks in the Plan's Investment Policy Statement. If an investment option fails to meet these standards and benchmarks, the Board may place it on the "watch list."

By doing so, the Board expresses concern about the investment fund manager's ability to match or exceed performance standards and benchmarks in the future. The Board uses the "watch list" as an intermediary step to allow an investment fund manager to improve the investment option's performance. If the investment option subsequently demonstrates consistent improvement in its performance relative to its standards and benchmarks, it is taken off the "watch list." However, if the investment option continues to consistently under perform its standards and benchmarks, the Board may eliminate it from the Plan's lineup.

*Registered Mutual Fund

All investing involves various risks, such as; fixed income (interest rate), default, small cap, international and sector—including the possible loss of principal.

Farewell to Outgoing Trustee

The Board said farewell to employee member Wayne Chu who served as the Board's Chairperson since November 2010. As Chairperson, he led the Board through several searches to select new investment options that would offer Plan participants more diversification, and helped to replace underperforming investment funds; added a Self-Directed Brokerage window; and oversaw the transition of the Plan to a new Third-Party Administrator, Prudential Retirement®. Trustee Chu's term expired on June 30, 2015, and the Board and Plan thanks him for his many years of dedicated service and leadership.



Board Welcomes Newly Appointed Trustee

Effective July 1, 2015, Roderick Becker has been appointed to the Board to replace outgoing member Wayne Chu. Mr. Becker served as the budget chief for the State Senate Ways and Means Committee, and is currently the deputy director of the State Department of Budget and Finance. Drawing from his wealth of expertise and experience in budgeting and government finance, Mr. Becker will complement the Board and work toward carrying out the Board's vision to make the Plan one of the best in the nation.



Local Island Savings Plan Team Spotlight

Albert (Al) Lee, Retirement Counselor, brings more than 20 years' financial industry experience to the Island Savings Plan. He provides education and account services to participants through individual and group counseling.

In addition to holding Series 6 and 63 registrations, Al is a licensed Life & Health Producer.

After working 10 years in communications, Al made the transition to financial services, first working as a 457 Deferred Compensation Plan Distribution Coordinator with Hawaii Benefits Inc. Prior to joining Prudential Retirement in 2013, he also supported deferred compensation 457 plans at ING Financial and worked as a Financial Advisor at VALIC (Variable Annuity Life Insurance Company).

"Pay yourself first."



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Managing Risk in Your Retirement Plan Account

When it comes to investing, there are various types of risk. While most investors tend to think of market risk—the possibility that an investment will decline in value—whenever they hear the word “risk,” there are actually several kinds of risk that retirement savers face, and they are virtually unavoidable. But understanding the various kinds of risk is extremely important, since it can help you make educated investment choices for your retirement account.

Various Types of Risk

- **Inflation Risk**—the possibility that the growth of an investment may not keep pace with the average rate of inflation. In this sense, seemingly “safe” investments that do not outpace inflation may be the riskiest over time. So, for example, if your investment is earning 2.5% each year, but inflation is averaging 3% annually, you’re likely losing money.
- **Market Risk**—the possibility of losing money due to the decline in the price of an investment. Stock investments are most commonly associated with market risk.
- **Interest Rate Risk**—the possibility that an investment will decline in value with a rise in interest rates. An older bond, for example, paying a lower rate of interest becomes less valuable than a newer one that pays a higher rate. Higher interest rates also tend to reduce stock prices, because they increase the cost of borrowing for companies.
- **Longevity Risk**—the possibility that investors will outlive their retirement income.
- **Business Risk**—the possibility that a particular company or industry won’t perform as expected. Both stocks and bonds carry this risk.
- **Currency Risk**—changes in the exchange rate between currencies can affect the value of foreign investments, for better or worse. Note that this type of risk can also affect investments held by a U.S. company issuing stocks or bonds, changing the value of those investments, too.

Balancing Risk and Reward

Generally, the more risk you take, the higher the potential rewards. However, most successful investors don’t always take the highest risk—nor do they try to avoid it. Avoiding risk altogether can be a risk itself. Money that is not invested will likely lose value due to inflation. So potentially making money through investments requires you to consider the various kinds of risk, and find a balance among a range of investments to manage that risk.

The Importance of Time

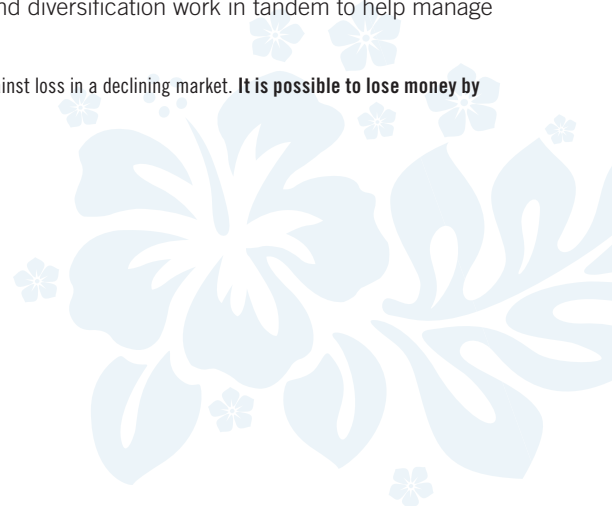
To a degree, risk tolerance is a function of time. Investors who have more time to let their investments grow may be in a better position to use higher-risk/higher-yield investments than someone who needs their money right away. So you may wish to carefully consider—and reconsider—both your feelings about risk and your investment time horizon when choosing investments for your retirement account.

Managing Risk

Asset allocation and diversification are important strategies to consider when choosing investments:

- Asset allocation is the process of investing your money in various types of investment asset classes (such as stocks, bonds, and stable value investments), thereby spreading out your investment risk.
- Diversification takes asset allocation one step further by investing in a variety of investments within those asset classes. Since different investments generally react differently to varying market conditions, asset allocation and diversification work in tandem to help manage the risk you might face if you held only one type of investment in one asset class.

Please keep in mind, the application of asset allocation and diversification concepts does not ensure a profit or protect against loss in a declining market. **It is possible to lose money by investing in securities.**



RETIREMENT EDUCATION COUNSELORS

Tom Kalili *Big Island*
Kapena Kim *Oahu/Maui*
Peter Eddy *Oahu/Kauai*
Al Lee *Oahu/Molokai/Lanai*
Kevin Malmud *Plan Manager*

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Island Savings Plan Line:
888-71-ALOHA
(888-712-5642)

Automated voice response system is available 24/7.

- **Select "1" to speak to a Participant Service Representative**
Monday through Friday, 2:00 a.m. to 3:00 p.m. HST (Daylight Savings) or 3:00 a.m. to 4:00 p.m. HST (Daylight Savings ends)
- **Press "2" to contact a local Island Savings Plan Retirement Education Counselor**
Monday through Friday, 8:00 a.m. to 5:00 p.m. HST, and Saturday, 8:00 a.m. to 12:00 p.m. HST.
- **Website: prudential.com/islandsavings**



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8:00 a.m. to 5:00 p.m. HST
Monday–Friday
8:00 a.m. to 12:00 p.m. HST Saturday

Free Parking
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Prudential

Investors should carefully consider a fund's investment objectives, risks, charges, and expenses before investing. For more complete information about the mutual funds available through your plan, please call 877-778-2100 for a free prospectus, and if available, the summary prospectus that contains this and other information about our funds. You should read the prospectus and the summary prospectus, if available, carefully before investing. It is possible to lose money investing in securities.

Shares of the mutual funds are offered by Prudential Investment Management Services LLC (PIMS), NJ. PIMS is a Prudential Financial company. Prudential Retirement is a Prudential Financial business.

Albert (Al) Lee is a registered representative of Prudential Investment Management Services LLC (PIMS), NJ. PIMS is a Prudential Financial company.

The Stable Value Fund, a plan level fund, is invested approximately 50% in a guaranteed interest contract ("GIC") with the Prudential Insurance Company of America ("PICA"), Newark NJ 07102 and 50% with Invesco Institutional. The assets backed by the PICA GIC are managed by the Fixed Income Group at Jennison Associates, LLC, a Prudential Financial company. Any guarantees associated with the PICA portion are subject to the claims paying ability of PICA. The Invesco assets are backed by a diversified portfolio of bonds that are held in trust for the Fund and are managed by Invesco, PIMCO, BlackRock and Jennison. The Stable Value assets are not FDIC insured, may lose value and are not bank guaranteed. PICA Contract form # GA-8215.

Prudential Retirement's separate accounts are available under group variable annuity contracts issued by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT. PRIAC is a Prudential Financial company.

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