



Plan news – pages 1 & 4

What you should know about risk

New look and feel for the Plan website

Retiree corner

Reminder

Daylight Saving Time will end on Sunday, November 7, 2010. Effective Monday, November 8, Plan participants will have an additional hour to complete transactions. Online and telephone transactions completed by 11 a.m. HST will be effective the same business day; transactions made after 11 a.m. HST will be effective the next business day.

Important Fund Updates

The Island Savings Plan's Board of Trustees, in conjunction with its investment consultant, monitors the performance of the Plan's investment options. At its August 31, 2010 meeting, the Board voted to place the following investment funds on the watch list:

- The Century Small/Mid Cap Growth Fund, due to turnover of key professionals and underperformance against its benchmark on a three- and five-year basis.
- The Bernstein International Value Collective Trust, due to key personnel having to take on additional responsibilities and underperformance against the benchmark on a three- and five-year basis.

Effective October 1, 2010, the fourth quarter rate for the Stable Value Fund is **4.59%**. ●

Island Savings Plan Webinar, a New Learning Experience

Friday, October 22, 2010 / 12 – 1 p.m.

The Island Savings Plan is hosting a **brown-bag** webinar (short for "web-based seminar") for employees to learn more about managing assets within the Plan and provide tools and resources to save for retirement.

Take this opportunity during National Save for Retirement Week to learn more about the benefits and features of the Plan from your workspace or the comfort of your home. Seating is limited. Reserve your spot at <https://www1.gotomeeting.com/register/607695721>. After registering, you will receive a confirmation e-mail on how to participate in the webinar. ●

Time Again for An Employees' Benefits Fair on Kauai

In celebration of National Save for Retirement Week, the Island Savings Plan is encouraging employees on Kauai to attend the upcoming Employees' Benefits Fair.

Date: Wednesday, October 20, 2010

Time: 9 a.m. – 3 p.m.

Location: Kauai War Memorial Convention Hall

At the Fair, you can:

- Attend workshops to learn more about the Plan's features and investment options added recently to the Plan and how to plan for your retirement.
- Schedule an appointment with an Investment Advisor who can help you review your investment options.
- Receive one-on-one assistance from Plan consultants and speak with the various representatives from the Plan's investment options.
- Meet some members of the Plan's Board of Trustees.
- Gather information about your other employment benefits from representatives.

The Fair is a "one-stop shop" opportunity to get informed about your benefits, so don't miss it. ●

Mailing of Personal Evaluations

The ING Advisor Service offers professional help with saving and investing for retirement.

Plan participants with salary information on file with ING were mailed a free evaluation of their account in October. If you are an employee of the DOE, UH, Hawaii Health Systems Corporation, House of Representatives, Senate, Office of Hawaiian Affairs, Office of the Auditor, Office of the Ombudsman, Judiciary, County of Maui, Hawaii County Water District, or Waialae Charter School, your personal information may not be complete. If you did not receive an Evaluation and would like one, call **(888) 712-5642** to update your personal information.

Your Personal Evaluation includes a customized statement of your Plan account and a forecast of your account value at retirement along with recommendations to help you jump start your retirement planning.

Bring your Personal Evaluation to the Employees' Benefits Fair (see box on left). You can meet with an ING Advisor who can review your account information and provide recommendations on how to improve your retirement forecast or schedule an appointment on a later date that's convenient for you.

If you do not plan to attend the Fair, you can still put your recommendations into action. Go online to the Plan website <https://islandsavings.ingplans.com> and select **ING Advisor Service** or call **(888) 712-5642** to speak with an ING Advisor. ●

Asset class risk

Keeping too much of your account's assets in options that invest in one asset class — stocks, bonds, or cash — could increase risk. For example, a portfolio with too much in conservative investments may expose you to the risk of outliving your assets. A portfolio that's too aggressive could increase your exposure to market risk.

Market risk

This is the risk that an investor could experience losses from the day-to-day fluctuations in the price at which an investment can be bought or sold. Price fluctuations result from many factors, including political developments, investment trends, tax changes, or investor reaction to economic news.

Short-term outlook risk

During volatile market conditions, your emotions could push you into taking on a level of risk that is too low or high. You also run this risk if you try to profit from changes in the market by switching in and out of investments, an approach known as market timing. Excessive trading policy restrictions and redemption fees may apply.

What you should know about risk

Risk is a normal part of investing. Consider some of the different types of risks that can affect the way you invest for your retirement.

Your ability to handle risk is closely related to your personal circumstances, including your age, income, the amount of time left for investing before you expect to retire, confidence in investing, and attitude toward short-term market volatility.

Through diversification and asset allocation, you may be better prepared to manage or compensate for different types of risk. Diversification involves spreading your dollars among a variety of investments. Asset allocation is deciding how to diversify by dividing your money among different asset classes, such as stocks, bonds, or cash equivalents.

Sticking to an asset allocation strategy based on your specific needs and objectives can help you withstand short-term outlook, recession, prosperity, interest rate, and asset class risks. Maintaining an investment mix that includes options that invest in stocks for growth potential could help to reduce the risks of inflation and outliving your assets.

Of course, using diversification or asset allocation as part of your investment strategy does not assure or guarantee better performance and may not protect against loss in declining markets. Past performance does not guarantee future results. ●

Investment risk

Most investments are not guaranteed, and the loss of principal is possible. The value of a security will fluctuate, so that when it is redeemed, the amount may be more or less than the original investment. Generally, the greater an investment's potential reward over time, the greater its level of price volatility or risk.

Interest rate risk

Rising interest rates can negatively affect your fixed income investment options when they pay less than newly issued bond investments. Higher rates can also cause investors to put more money into interest-paying investments, potentially driving down the value of fund options that invest in stocks.

Recession and prosperity risks

An economic slowdown means all investments can lose value and make investing seem riskier, giving some an excuse to avoid investing for retirement. A period of prosperity can make investments appear less risky, causing some to take on more risk than is appropriate for their situations.

Inflation risk

Even a modest inflation rate can severely reduce the amount your retirement savings will buy in the future. Historically, inflation has averaged three percent. At that rate, in 24 years, you might need twice as much money as you spend today to help meet your expenses.

Longevity risk

Many people underestimate how long they will live. Living longer could increase the likelihood of running out of savings during retirement.

Sources of definitions: "ING Special Report: Managing Key Risks to Make Your Retirement Income Last"; "A Falling Market Isn't the Only Risk" and other articles by SmartMoney; and *A Woman's Guide to Investing* by Lightbulb Press.

New look and feel for Plan website's home page

The next time you log on to the Plan website, you will see changes in the design and organization of information on the Plan home page. It is the screen that appears after you log on to your Plan account. These improvements make it easier for you to access information for managing your account.

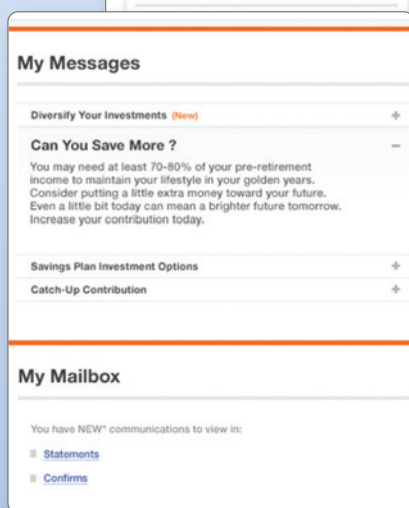
My Account provides a snapshot of key account information, transactions, and Plan information, with quick links to take action. For more detailed historical information, you can generate an online statement for any date range during the previous two years. You can also change your account access preferences.



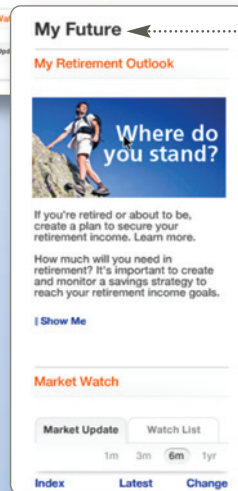
My Resources uses video, text, and electronic media to update you on relevant and timely topics. If you want more help, you can easily link to additional resources.



My Message Center shows account news and important alerts. If you receive a message, you can click from the message to take action. **My Mailbox** highlights newly available electronic correspondence like confirmation notices and statements.



My Future offers resources to help identify and track your personal retirement savings strategy. **Market Watch** delivers up-to-the-minute market index updates, along with your personalized watch list of stocks and mutual funds. **Market Snapshot** provides updates on global investment markets, including key financial headlines and newsworthy stock market activity.



Tax breaks in 2010

If enacted, a substitute amendment offered by Senator Max Baucus (D-MT) to the American Jobs and Closing Tax Loopholes Act of 2010 (HR 4213) would extend tax breaks from 2009 that could help reduce your 2010 federal income taxes.

1. **Extend the ability for individuals who were over 70½ to donate money to charity** — the top limit is \$100,000 a year — directly from their Individual Retirement Account or Individual Retirement Annuity (IRA), without having to declare those IRA distributions as taxable income. This could help taxpayers who do not have enough expenses to itemize deductions on their tax returns.
2. **Extend the standard deduction on the federal income tax return for up to \$1,000 in state and local property taxes for those individuals who do not itemize.** This would be a break for older homeowners who no longer pay enough interest on their mortgages to justify itemizing.
3. **Extend deductibility of state and local sales taxes instead of state income taxes.** This might help itemizers who live in states with a sales tax who have moved from high income tax states to states with no or low income taxes. Check with a tax adviser about whether this tax deduction applies to your situation.

If legislation is not enacted, these provisions will expire December 31, 2010 and the deductions will not be available for 2010 federal income tax returns. ●



It's Time to Take Action

National Save for Retirement Week — October 17-23, 2010

To raise public awareness of the importance of saving for retirement and the advantages of tax-deferred retirement plans, Congress passed House Resolution 1481 designating October 17-23, 2010 as National Save for Retirement Week.

LOCAL OFFICE

1003 Bishop Street
Pauahi Tower, Suite 1160
Honolulu, Hawaii 96813

OFFICE HOURS

8 a.m. to 5 p.m. (HST)
Monday – Friday

FREE PARKING

Validate your parking ticket at the Local Office

Bishop Square Parking Garage
(entrance on Alakea Street)

INFORMATION LINE

1-888-71-ALOHA (1-888-712-5642)

PLAN WEBSITE

<https://islandsavings.ingplans.com>

STATE WEBSITE

<http://hawaii.gov/hrd>

KAPENA KIM

Oahu/Honolulu

SHEILA FRIED

Maui / Big Island / Lanai

PETER EDDY

Oahu / Kauai / Big Island

ALBERT LEE

Honolulu / Molokai

MELODY TAKACS, PLAN MANAGER

Honolulu

Are you saving enough for your retirement?

Social Security benefits and pensions may not be enough, and you may need to supplement your retirement income.

Social Security was never intended by Congress to be the sole source of retirement income for families. With people in the United States living longer and the cost of retirement significantly increasing, now is a good time to take steps toward ensuring a financially secure retirement. Here are a few tips to get you started.

Start saving if you haven't started yet.

Money may be tight, but you can start small. The minimum contribution per pay period in the Island Savings Plan is \$10. Putting aside a portion of every paycheck each month will pay off later. If you're not already enrolled, talk to a Plan consultant to sign up.

Increase your contribution amount. Even small amounts can make a big difference through the power of tax-deferred compounding. Look for ways to reduce your daily expenses and put the extra money toward retirement. Make small trade-offs to adjust your spending habits, such as bringing lunch from home once a week, making your own coffee to take to work, reducing the cost of driving to work by catching the bus, etc. Finding that extra \$1 a day (\$30 a month) to put into your Plan account can make a difference of over \$25,000 over 30 years. When you use automatic payroll deductions, you may actually end up with more take-home pay because of the pre-tax benefit. Talk to a Plan consultant to see how much you may be able to save.

Know your retirement needs. An easy rule of thumb is that you'll need to replace 70 to 90 percent of your pre-retirement income to enjoy the same standard of living you had before retirement, according to the U.S. Department of Labor Employee Benefits Security Administration. However, no rule of thumb fits everyone. For

some retirees, expenses may decline. For others, home and healthcare expenses or college debts may keep their retirement costs high. Other factors, such as travel plans, club memberships, property taxes if you live in an expensive neighborhood, also need to be considered in determining your retirement income. This is a good time to calculate your retirement income needs and set your financial goals for retirement.

Stay in touch with your savings. Review your investments regularly to see if you are on track with your retirement savings goals. Using the tools on the Plan website or the toll-free Plan Information Line makes it easy to track your Plan investments, change your investment options, automatically rebalance your account, and print on-demand statements.

Attend a benefits fair or workshop. ING will sponsor the Employees' Benefits Fair on the island of Kauai on October 20, 2010 from 9 a.m. to 3 p.m. at the Kauai War Memorial Convention Hall. Please check with your personnel office regarding workshop schedules.

Join an Island Savings Plan webinar. ING is hosting a *brown-bag* webinar on Friday, October 22, 2010, at 12 p.m. Learn more about managing your assets within the Plan, and the Plan's benefits and features from your workspace or the comfort of your home. See page 1.

Remember, when you retire from work, you will be moving into another stage of your life. Whether you want to travel, relax, move into a retirement community, pursue a favorite hobby or just spend time with your grandchildren, you'll need to save for those goals.

Any time is a good time to take steps toward a financially secure retirement. This October, take action and make some progress during National Save for Retirement Week. ●



1-888-71-ALOHA Plan Information Line
<https://islandsavings.ingplans.com> Plan website

This newsletter is not intended to provide legal, tax, or investment advice. For such advice, participants should contact their legal, tax, or investment advisers.

© 2010 ING. All Rights Reserved.



quarterly calendar

The New York Stock Exchange is closed:

- Thursday, November 25, 2010
- Friday, December 24, 2010
- Monday, January 17, 2011

Transactions made on these days will be processed the following business day.

SKU#HI3Q10