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Island Savings Plan Wins Eddy Award

The Island Savings Plan received the first place Eddy Award in the Special Projects category. The "Make Your Own Lei" campaign was designed as an interactive educational experience to increase awareness of the importance of a well-diversified account.

The campaign was rolled out at the May and October 2012 Employees' Benefits Fairs. Fair attendees visited various investment fund manager tables for educational material on their investment fund, had an opportunity to speak one-on-one with a representative, and earned a stamp after visiting each table to complete a flower lei.

Sponsored annually by *Pensions & Investments*, the international newspaper of money management, the Eddy Awards recognize plan sponsors and service providers that epitomize the best practices in providing investment education to defined contribution plan participants.

Mahalo to all employees who attended the 2012 Employees' Benefits Fairs. As the Eddy Award confirms, the Fairs are valuable educational tools that attendees are encouraged to go to and learn about the Plan's investment options. ●

New Mobile Savings Calculator

A new savings calculator will be available in early May 2013 as an update of the ING Retirement Plan Account mobile application for iPhone®, iPod touch® and Android™ devices. The calculator in the *Contributions* section section will show you how quickly small increases in the amounts you save for retirement add up.

To try the mobile app for the first time, sign in to your online account at least once first. Then use your smartphone to download the app directly from the App StoreSM or the Google Play Store for Android™ devices (keywords: **ING Retire**). ●

iPhone, iPod touch are trademarks of Apple Inc., registered in the U.S. and other countries. App Store is a service mark of Apple Inc. Android is a trademark of Google Inc.

Daylight Saving Time Reminder

Daylight Saving Time (DST) began Sunday, March 10, 2013. Plan participants have until 10:00 a.m. HST to complete online and telephone transactions that will go into effect the same business day. Transactions completed after 10:00 a.m. HST will be effective the next business day. ●

Upcoming Benefits Fair

The Employees' Benefits Fair that has been held during the month of May in Oahu in the past has been postponed until this summer. Stay tuned for further details to be announced on the Plan's website. ●

Fund Updates

Stable Value Fund: Effective April 1, 2013, the second quarter 2013 rate is 3.06%.

On the watch list: Century Small/Mid Cap Growth Fund and Harbor Small Cap Value Fund.

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)

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

6 a.m. to 12 p.m. (HST)
Saturday

PLAN'S WEBSITE

<https://islandsavings.ingplans.com>

STATE WEBSITE

<http://hawaii.gov/hrd>

THOMAS KALILI

Big Island

KAPENA KIM

Oahu/Maui

PETER EDDY

Oahu/Kauai/Maui

ALBERT LEE

Oahu/Molokai

MELODY TAKACS

Plan Manager

Ways To Boost Your Plan Account

1. Defer Unused Vacation Pay.

If you are leaving your job or retiring, you can defer to your Island Savings Plan account the unused vacation leave credits that would otherwise be paid to you after you leave employment.

All retiring employees are eligible for the Plan's Vacation Pay Deferral Program, while restrictions apply for some who separate from service. The benefits of this program are:

- Increase retirement savings.
- Decrease current federal and state income taxes by deferring unused vacation monies.

In 2012, program participation was very high. Many State and County employees who retired at the end of the year were able to defer their vacation pay up to the 2012 maximum annual limit of \$22,500.00 for those age 50 and older. Participants using the 3-Year Catch-Up for 2012 were able to defer \$34,000.00, which is double the 2012 maximum annual limit ($\$17,000.00 \times 2 = \$34,000.00$).

To learn more or make your request, obtain the Vacation Pay Deferral Program Information Sheet, payout schedule and forms from your department's Personnel Office or the State of Hawaii Department of Human Resources Development's website at <http://dhrd.hawaii.gov/retirees/irc-457/vacation-pay-deferral-program>.

At least 14 days prior to your last day of employment, submit all paperwork (unless your Personnel and Payroll Office waives this requirement). Also, call the local ING office at **(888) 71-ALOHA** (888-712-5642), option 2 to discuss your request and the steps to complete. You will need to provide the vacation payout dollar amount to be deferred, not vacation leave hours.

2. Use The 3-Year Catch-Up.

The Plan's 3-Year Catch-Up is a once in a lifetime opportunity for employees nearing retirement to put away more for retirement and reduce current taxes.

It provides for up to three consecutive years of contributions beyond the annual maximum limit to help you "catch up" for earlier years

when you did not contribute the maximum amounts allowed. It is not available in the year that you separate from service unless you retire on December 31 of that year.

To be eligible, you must be within four years of the earliest possible retirement age (without reduction) from the Employees' Retirement System and have amounts underutilized or unused from previous eligible years.

Four years before you retire, contact the ING local office at **(888) 71-ALOHA** (888-712-5642), option 2 to discuss whether you are eligible to use the 3-Year Catch-Up and request the Catch-Up worksheets and forms. The worksheets are also available under **Forms** at <https://islandsavings.ingplans.com>.

3. Maximize Your Savings: Do Both!

If you are eligible, you could contribute twice as much using the 3-Year Catch-Up to shelter unused vacation pay.

Example: In 2013, a participant who is retiring on December 31, 2013, and has \$40,000.00 in accrued vacation dollars can contribute \$35,000.00 using the 3-Year Catch-Up which is double the maximum annual limit of \$17,500.00. The participant is able to defer current taxes on an amount that might otherwise result in a higher tax bracket and save a significant amount more for retirement.

A Plan Consultant can explain how this strategy works, and whether the option applies to your situation. Call **(888) 71-ALOHA** (888-712-5642), option 2.

It is important to know that regular contributions deducted from your paycheck plus your vacation pay deferral count toward the maximum annual contributions. A Plan Consultant can help you verify your previous Plan contributions to be certain that deferring your vacation pay will not bring the total beyond the limit for the year. Also, while federal and state taxes are deferred, FICA tax withholding may still apply.

You should consider talking with your tax or financial adviser about whether deferring unused vacation pay to your Plan account or using the 3-Year Catch-Up is appropriate for your situation before making a decision. ●



quarterly calendar

Transactions made on these dates when the New York Stock Exchange (NYSE) is closed will be processed the following business day that the NYSE is open.

- Monday, May 27, 2013
- Thursday, July 4, 2013



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