



ISLAND SAVINGS PLAN
It's all yours

news

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Go paperless, go green!

ING is making it easy for participants to GO GREEN by giving you the ability to turn off paper statements and eligible confirmation notices. You can turn off the mailing of your paper statement by going online to the Plan Web site. Log in to your Plan account, go to My Account, and then select Statement Preferences.

You will be asked to provide your e-mail address. Thereafter, you will receive e-mail notifications that electronic (PDF) files of your statements, newsletter, and other documents have been delivered securely to your online account mailbox. Once you have logged on to your Plan account, you can find your quarterly statements and other documents in your online account mailbox via the link located at the top right corner of the page displayed as My Correspondence & Records.



You can help preserve our planet's natural resources by going paperless. And you'll have less clutter to organize because you can:

- Create an account statement for any time period you like.
- View current and past statements online.
- Keep important files electronically, with no papers to store or lose. ●

Consider turning off all paper statements for your Plan account.

It's easy to activate: just contact ING to say, "Yes, I want to go green!" You can start receiving an electronic version (PDF) of your quarterly statement automatically beginning in the third quarter.



Employees at the Benefits Fair



Island Savings Plan Workshop



Stable Value Fund Managers



Employees' Retirement System Representative

Employees' Benefits Fairs draw crowds

The Employees' Benefits Fairs attracted hundreds of employees who took the opportunity to learn more about the Island Savings Plan and other employee benefits.

There were representatives from the Plan, the Plan's investment fund managers, *Island Flex*, Employees' Retirement System, Hawai'i 529 College Savings Program, and various health plan carriers to answer any questions. On May 11, 2009, approximately 630 employees attended the fair at the University of Hawai'i at Mānoa in Honolulu. On May 15, 2009, an estimated 508 employees came to the fair at the Aloha Stadium in Aiea. Employees filled the workshops on asset allocation and pre-retirement, and other benefit plan topics. ●

Fund Updates

Effective July 1, 2009, the third quarter rate for the Stable Value Fund is 3.95%.

On the watch list: Wells Fargo Large Company Growth Fund and INVESCO, the co-manager of the Stable Value Fund.

Your best defense: investing during a recession

Today's markets can test an investor's patience. Three steps can help you stay confident while investing for your retirement.



1 Don't miss the potential rebound.

Historically, stocks have recovered from short-term declines. Despite 2008's 37% decrease, Standard & Poor's 500 Index¹ posted a 10% annualized gain during the last 25 years through December 31, 2008.²

In fact, short-term declines aren't the biggest risks to investors — rather, it's inflation. If your investments grow at a rate that is less than the rate of inflation, you can lose purchasing power. For your portfolio to potentially grow, your returns must exceed the inflation rate. Stocks' returns have outpaced inflation by an average 6.2% a year since 1945.² So try to think of any short-term decline as an opportunity to buy investments at low prices.

2 Maximize your savings.

Uncertainty in a recession may lead some individuals to cut back on saving and investing and wait for good times to return. However, this reaction ignores the reality that it takes years of steady saving and careful investing to accumulate assets to generate enough after-tax, after-inflation income for a long, comfortable retirement.

Continue to save and invest for the long term. If you can afford to, consider increasing the amount you set aside each year or whenever you get a raise.

3 Choose the right mix.

Diversifying your investments can help you create a portfolio that may be better able to withstand market fluctuations, although it does not assure a profit or protect against loss in declining markets.

The way you invest depends on your age, objectives, and comfort with investment risk. For instance, people close to retirement often seek a lower-risk mix of investments but still hold a smaller allocation of stock investments for potential growth to help their savings last for decades. ●

¹ The S&P 500 Index tracks the stocks of 500 widely held U.S. corporations, representing more than 70% of the value of the U.S. stock market. Investors cannot directly purchase or invest in an index.

² Ibbotson Associates, a Morningstar company. Data as of February 2009.

Out from under

Are you swamped with credit card debt? There is no investment strategy anywhere that pays off as well — and with less risk — as eliminating high-interest debt.

Reducing high-interest credit card balances as quickly as possible is one of the wisest things you can do under any market condition. What you save on monthly credit card payments frees up money for other uses, such as adding to your retirement plan accounts.

Prioritize your payments

Write down the balance you owe, the interest rate you pay, and your credit limit on each credit card. Then create a repayment schedule. Concentrate on paying off the card that charges the highest rate first. Focus, too, on getting your outstanding balance on each card well below the credit limit to lessen your vulnerability to over-the-limit fees. Note: Never miss a payment. If you do, your interest rate may be raised on that card and others after credit card companies review your credit history.

Look for a lower rate

Consider transferring your balances to a lower-rate card. You can do side-by-side comparisons of other cards on www.cardratings.com, www.bankrate.com, and www.creditcards.com. Be sure to check the transfer fees. If you find a low advertised rate, note how long the low rate lasts and make sure you qualify. Sometimes, it will depend on your credit rating.

Turn over a new leaf

Limit use of credit cards while paying off your debt. If you can, consider making all purchases with cash. Experts say no one needs more than two or three credit cards. But keep your oldest card: this can help your credit score by showing how long you've had credit. When you're debt-free, save for the long term by increasing the amount you contribute to your retirement plan accounts. ●

Go green and keep more green

Going green to help the environment makes life better for you and future generations. And cutting expenses can produce extra cash that could go toward your retirement savings.

Here are some simple things you can do to save money and the environment.

- Set your thermostat a few degrees higher to save on cooling costs this summer.
- Replace older incandescent bulbs with compact fluorescent light bulbs (CFLs).
- Unplug appliances and shut off lights when you're not using them.
- Wash clothes in cold water and hang laundry to dry outside to lower energy costs.
- Take shorter showers to reduce water use and lower your water and heating bills.
- Choose native plants that can tolerate drought for your garden.
- Use cell phones and computers as long as possible, then recycle or donate electronics responsibly to help reduce hazardous waste.



- Walk or ride a bike to save on gas and parking costs while doing errands.
- Tune-up your car and change the oil regularly to increase gas mileage.
- Carry a reusable water bottle instead of paying for bottled water that generates container waste.
- Borrow from libraries or friends instead of buying books and movies.
- If your bank or retirement plans offer electronic account statements, sign up for online delivery instead of mailed paper copies. ●



What's in the economic stimulus plan for retirees

The government's economic stimulus plan includes changes that aim to put more money in people's pockets to spend and help revive the nation's economy.

Retirement income. If you're a recipient of Social Security, Supplemental Security Income (SSI), Railroad Retirement, or Veterans Administration benefits, you collected a one-time payment of \$250 in May or June. Retired government employees not eligible for Social Security benefits will get a \$250 credit when they file their 2009 tax returns.

Withholding rules. The Internal Revenue Service (IRS) issued new tax tables that lowered the tax withholding rates for retirees and employees starting April 1.

If you get income on a regular basis from your retirement accounts or annuity, you are now seeing a little extra with each payment because less income tax has been withheld.

Of course, if no taxes are withheld, you won't see any difference in your payments. The change does not apply to lump sum payments.

No retiree tax credit. The stimulus plan included a new tax credit on earned income such as wages reported on Form W-2. This credit helps employees offset the impact of lower withholding on their 2009 and 2010 tax bills. However, retirees who receive retirement income reported on Form 1099-R are not eligible for this credit.

Impact on tax return. Getting more with each retirement plan or annuity check throughout the year might affect your tax situation next April. If you typically receive a refund, this could lower the amount of the refund. Or if you normally pay taxes, you could owe more, depending on your circumstances.

If you want to avoid any tax surprises, you may want to review your situation. Ideally, you want your withholding to cover your tax liability. For a quick analysis, you can use the new withholding calculator for retirees at www.irs.gov.

You don't have to do anything. However, if you wish, you may adjust the amount of taxes withheld from your retirement income. Ask the provider that sends your scheduled payments how to file a new Form W-4P, Withholding Certificate for Pension or Annuity Payments.

Since tax issues can be complex, consult your tax or financial adviser before changing your withholding. ●



New option for retirees

State of Hawaii Island Savings Plan participants who are retiring and want a guaranteed monthly retirement income may be interested in a new annuity service called **Income Solutions**.®

You can use all or some of your Plan assets to purchase an immediate fixed annuity. The annuity is guaranteed to provide a predictable stream of monthly income for life for you or your beneficiaries. The Income Solutions program uses a competitive quote process offered through Hueler Investment Services that assures you receive favorable pricing and annuity terms that best meet your needs.

For more information, go to the Plan Web site Home Page and click on the Income Solutions link or call the Plan Information Line to speak with an ING Income Solutions Facilitator. ●

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OFFICE HOURS

8:00 a.m. to 5:00 p.m. (HST)

PUBLIC PARKING

Bishop Square Parking Garage
(entrance on Alakea Street)

INFORMATION LINE

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

PLAN WEB SITE

<https://islandsavings.ingplans.com>

STATE WEB SITE

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

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Board welcomes new members

Scott A. Kami



Scott Kami was appointed as a Board trustee effective April 22, 2009, and has replaced Carol Raber, whose term expired on December 26, 2008. In his capacity as the Financial Administration Division Administrator

at the Department of Budget and Finance for the past 8 years, Trustee Kami oversees the investment, debt management, unclaimed property, and college savings programs for the State. Trustee Kami previously served as the Finance Branch Manager at the Housing and Community Development Corporation and as a loan officer at the First Interstate Bank of Hawaii, and comes to the Board with over 20 years of knowledge and experience in the area of financial management. His first term will expire on June 30, 2013. ●

Wesley Machida



Wesley Machida starts his appointment as a Board trustee effective July 1, 2009, and replaces Wayne Chu, whose term expired on June 30, 2009. As the Assistant Administrator of the Employees' Retirement

System for the past 8+ years, Trustee Machida is responsible for the accounting and safeguarding of the ERS' assets, preparation of financial statements and budget requests, and the processing of retirement benefit payments. Trustee Machida previously served as an assistant auditor with the Office of the Auditor, a senior audit manager at Grant Thornton LLP, an assistant administrator at the Child Support Enforcement Agency, and previously served as a trustee on the Board from 1994 to 1996. He returns to the Board with 20 total years of professional experience in the area of accounting and auditing. His first term will expire on June 30, 2013. ●



quarterly calendar

The New York Stock Exchange is closed:

- **Monday, September 7, 2009**

Transactions made on this day will be processed the following business day.

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