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Could your Plan account use a tune-up?

Maintaining a diversified portfolio of investments in your Plan account helps to manage risk. The goal is to have the percentages of stock, bond and short-term investments in your account stay in sync with how you feel about risk and the time remaining before you retire.

But recent market conditions may have pushed your investments out of alignment with the target percentages you set originally. So you may want to consider giving your portfolio a tune-up by rebalancing.

Rebalancing involves selling assets in one or more of your investments and using the proceeds to buy shares of other investments in the portfolio.

Rebalancing does not ensure a profit or investment results and cannot prevent loss in declining markets. But as markets change constantly, rebalancing may help you stick to the investment strategy appropriate for you over the long haul.

You can sign up for automatic account rebalancing, as an option, at <https://islandsavings.ingplans.com>. Go to **Manage Investments** and select **Rebalance Account**. You will get a confirmation when you sign up, plus reminders 14 days prior to each rebalance date.

If you make any investment election changes, fund balances will be realigned to your current investment election percentages. If you make an investment transfer, the rebalancing option is automatically deactivated. You can restore the automatic rebalance feature by signing up online again. Automatic rebalance occurs every 90 days.

If you rebalance your account manually, keep in mind that:

- Redirecting your new Plan contributions is not the same as rebalancing your whole portfolio.
- To rebalance, you need to have an asset allocation strategy and a mix of investments in different asset classes.
- Adjusting your investment elections too frequently in reaction to the market's changes is market timing, not rebalancing.

An alternative option is to invest in one of the Plan's Lifecycle Funds. There's no rebalancing to do because the fund manager takes care of the investment decisions. ●



Who's your beneficiary?

Please read *The importance of naming a beneficiary* on page 2.

To review, designate or change your beneficiary, visit the Plan Web site at <https://islandsavings.ingplans.com> and go to **Personal Information**. Or call the Plan's Information Line at (888) 71.ALOHA.

Fund Updates

Effective April 1, 2009, the second quarter rate for the Stable Value Fund is 3.77%.

On the watch list:

- INVESCO, the co-manager of the Stable Value Fund, remains on the watch list.

The Board is currently conducting a search to replace the Wells Fargo Large Company Growth Fund. The fund has been underperforming its benchmark over long-term time periods.

Employees' Benefits Fairs coming to Oahu

You are invited to learn more about the advantages of participating in the Island Savings Plan at your choice of two fairs.

Attend one of these Fairs to get information about valuable features currently offered, including the Investment Advice Service; talk with representatives of the various Plan investment providers to learn about your investment options; and gather information about your other employment benefits from benefit plan administrators. Pick the date and place that works best for you. These are "one stop shop" opportunities to get informed about your benefits — so don't miss it! ●

Date: **Monday, May 11, 2009**
 Location: University of Hawaii at Manoa
 Campus Center Ballroom
 2465 Campus Road
 Honolulu, HI
 Time: 9:00 a.m.–4:00 p.m.

Date: **Friday, May 15, 2009**
 Location: Aloha Stadium – Hospitality Room
 99-500 Salt Lake Blvd.
 Aiea, HI
 Time: 9:00 a.m.–4:00 p.m.



Going back to basics in tough times

It's hard to know how well the government's economic stimulus plans will work or when the markets will jolt the country back to health. Here are some ideas to consider for times like these.

Do give your finances a check-up.

Estimate your net worth once a year so you can compare how your assets are growing. Keep track of your assets (your home, savings, investments, etc.) and subtract your debts (the balance owed on your home, credit cards, loans, etc.) If you do this exercise yearly, you'll see how you're progressing toward your financial objectives.

Do sharpen your investing skills.

Knowing more can help boost confidence in your decisions about the future. Spend time looking at your Plan investment options. Read and ask questions about how to invest in this current market to fit your risk tolerance and time horizon to retirement. Develop or review your personal investment strategy.

Do repair your safety net.

Having an emergency fund is especially important, with jobs in jeopardy and credit tight. If you don't have an emergency fund, start one. Experts suggest saving enough to cover three to six months of living expenses. If you have a fund already, consider beefing it up to cover eight to nine months' worth of expenses.

Don't stray away from your risk comfort level.

Keep an eye on the assets in your savings and retirement plan accounts. Have you invested appropriately for the return you need, given your age, income, desired level of risk, and other personal circumstances? Carefully weigh your ability to withstand risk against your need for high returns. Don't let panic push you into a risk level that's too high — or too low — for you.

Don't lose your long-term focus.

Following the movements of the stock market can be educational. But for many of us, daily monitoring is stressful. Switch the TV or radio to something else and give yourself a break once in a while. The markets always go up and down no matter what the state of the economy.

Don't make sudden moves.

Try not to react emotionally when the market experiences short-term fluctuations. Your overall plan should be based on proven principles of long-term investing. By all means, make changes when they're called for. But dramatic changes made under pressure are a recipe for trouble. As you focus on your investments, remember you're investing toward a long-term objective: a secure retirement. ●

The importance of naming a beneficiary

You've worked hard to accumulate the assets in your Plan account.

So remember to choose a Plan beneficiary who would receive your benefits in the event of your death.

You want to ensure that your Plan benefits will be paid to the individual or people you intended. In certain situations, if you haven't named a beneficiary, there could be a delay in payment of your Plan benefits or other complications for someone you care about.

Look at your beneficiary information periodically. It may be appropriate to review it once a year, or sooner, if there are changes in your family or relationships, laws or your health. You may change the beneficiary named for your account anytime to reflect your current wishes. ●



Avoid common investing mistakes

All investors make a mistake at some point.

It happens. The key is not to make the same mistake twice.

Here are three errors often made by retirement plan participants and retirees, and tips to help you avoid them.

Jumping on the bandwagon.

Since the market downturn last fall, people have poured money into U.S. Treasuries, even though interest rates are very low. In investing, what's hot today may be cold tomorrow.

Tip: Make your own investment decisions based on what's best for your financial future in keeping with your overall strategy and asset allocation. As a long-term investor, avoid investing according to current trends or the "what's hot today" mentality.

Investing on impulse.

A single headline can drive a person to shift money from one fund to another. Unfortunately, that often leads to buying into popular funds at a high price and selling off less popular funds at a price below what was paid originally. Remember the investment mantra, "buy low, sell high," and keep track of the fund's original unit price.

Tip: Stay committed to your long-term retirement savings plan strategy. Stick with the investments you've selected because they suit your long-term objectives, time frame and tolerance for risk.

Taking advice from non-professionals.

If investment professionals don't have the power to predict what the markets will do next, why would your uncle or neighbor?

Tip: Do your own research on the investment options your Plan offers or consult with an investment advisor. ●



What you need to know about 2009 RMD rules

For 2009 only, there will be no Required Minimum Distributions (RMDs) from retirement accounts.

Q. What does this mean for me?

A. You are normally required by law to begin annual withdrawals from your retirement accounts in the year you reach 70½, or in the year you retire, whichever is later. In 2009, this requirement has been suspended.

Q. Why are the rules different in 2009?

A. A new law was enacted in December 2008 so individuals would not be forced to take distributions from Plan account balances that were significantly affected by the economic downturn.

Q. Do these rules apply to my first RMD payment for 2008 that I deferred until April 2009?

A. No, because it is a 2008 payment.

If you have other questions about Plan distributions, call your Plan Information Line or speak with your financial or tax advisor. ●



Small savings can really add up

If you could pass up buying a soft drink and snack to save just \$5 a day, you would have \$1,825 in a year.

If you're having trouble saving, see if you can start by figuring out where your money is going. Keep tabs on what you spend for at least a week — a month is preferable.

Carry a notebook and jot down everything, from that morning cup of coffee to dinner out on Saturday night. There are also free services available online to help you track your spending: quicken.com, geezee.com, mint.com and wesabe.com.

Look at how much you spend in total — and then look at how much you spend on frills. Then see where you can cut back. By making changes that free up a few dollars here and there, you could build up a cash cushion — and develop a habit of saving. ●

LOCAL OFFICE

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

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

<http://state.hi.us>

KAPENA KIM

Oahu

SHEILA FRIED

Maui / Big Island / Molokai / Lanai

JEANNE KANAI

Honolulu

PETER EDDY

Oahu / Kauai / Big Island

MELODY TAKACS, PLAN MANAGER

Honolulu

Daylight Saving Time Reminder

Daylight Saving

Time (DST) began

Sunday, March 8, 2009.

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.



What in the world does "stable value" mean?

In today's economic climate, investors are re-evaluating their tolerance for risk. Some want to balance the risk in their retirement portfolios by including a conservative investment, such as a stable value option. For the Island Savings Plan, the stable value option is the Hawaii Stable Value Fund ("Fund").

Stable value options are conservative investment options. Their objectives are to preserve principal, be liquid, and deliver stable, predictable returns.

Generally, they combine a diversified portfolio of fixed income investments along with an investment contract that guarantees investors will receive some amount of interest. This guarantee is based on the claims-paying ability of the company providing the contract. The Fund's investment contracts are issued by high quality banks and insurance companies and ensure that the interest rate will not drop below 0%. The interest rate is set and declared in advance of each quarter.

At this time, Treasury interest rates are at record lows. This affects money market funds, stable value options, short-term bond funds and Certificates of Deposit ("CDs") which are all in the same asset class. Average yields for these fixed income investments are in the low single digits.

How safe is the stable value investment?

CDs and other assets kept in banks are insured by the Federal Deposit Insurance Corporation ("FDIC"). Short-term bond funds and stable value investments are not FDIC-insured or guaranteed by any other government agency. A stable value investment's guarantees are based on the claims-paying ability of the company providing the investment contract.

Investors who are not comfortable with a high level of risk are likely to accept the current low rates of return in exchange for the account balance stability of a stable value option. Falling stock prices have generated anxiety about the highly volatile marketplace. By keeping a portion of assets in a stable value investment option, investors with a low tolerance for risk insulated some of their account assets against the daily fluctuations in equity market value. ●

Reminder if you are age 70½ or older

Please read *What you need to know about 2009 RMD rules* on page 3.

Participants who previously elected to receive systematic payments of Required Minimum Distributions ("RMDs") received a letter from ING informing them there will be no payments of any previously scheduled 2009 RMDs. For calendar year 2010 and beyond, RMDs will be processed in accordance with the instructions (i.e., elections) that remain on file.

If you would still like to receive a distribution of the previously scheduled amount even though no 2009 distribution is required, call the Plan's Information Line at (888) 71.ALOHA. ●

Password replaces PIN

New Plan Web site changes: The "PIN" code is now changed to a "password" code when accessing the Plan Web site.

Your current "PIN" will continue as your "password." Other enhancements to <https://islandsavings.ingplans.com> were launched March 23, 2009, with details about the changes posted to the home page and on the Plan's Information Line. ●

To choose a password, log on to <https://islandsavings.ingplans.com> and go to *User Preferences*.



quarterly calendar

The New York Stock Exchange is closed on the following days:

- Monday, May 25, 2009
- Friday, July 3, 2009

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