CENTRAL PACIFIC FINANCIAL CORP
Form 11-K
June 29, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 11-K

(Mark One)

T ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

or

£ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number 0-10777

A. Full title of the plan and the address of the plan, if different from that of issuer named below:

CENTRAL PACIFIC BANK
401(k) RETIREMENT SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

CENTRAL PACIFIC FINANCIAL CORP.
220 South King Street
Honolulu, Hawaii 96813

Table of Contents

CENTRAL PACIFIC BANK

401(k) RETIREMENT SAVINGS PLAN

Financial Statements and Supplemental Schedule

December 31, 2009 and 2008

(With Report of Independent Registered Public Accounting Firm Thereon)

Report of Independent Registered Public Accounting Firm

The Plan Administrator
Central Pacific Bank
401(k) Retirement Savings Plan:

We have audited the accompanying statements of assets available for benefits of the Central Pacific Bank 401(k) Retirement Savings Plan (the Plan) as of December 31, 2009 and 2008, and the related statements of changes in assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets available for benefits of the Plan as of December 31, 2009 and 2008, and the changes in assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of schedule H, line 4i – schedule of assets (held at end of year) as of December 31, 2009 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP
Honolulu, Hawaii
June 29, 2010

CENTRAL PACIFIC BANK
401(k) RETIREMENT SAVINGS PLAN

Statements of Assets Available for Benefits

December 31, 2009 and 2008

		2009	2008
Investments, at fair value:			
Mutual funds	$	58,422,338	43,394,602
Common stock fund		1,225,238	10,114,998
Collective trust fund		18,986,078	20,452,508
Total investments		78,633,654	73,962,108
Participant loans		1,454,374	1,242,857
Receivables:			
Employer’s matching contribution		—	21,477
Total receivables		—	21,477
Assets reflecting all investments at fair value		80,088,028	75,226,442
Adjustment from fair value to contract value for fully benefit-responsive investment contract		(410,444)	267,381
Assets available for benefits	$	79,677,584	75,493,823

See accompanying notes to financial statements.

CENTRAL PACIFIC BANK
401(k) RETIREMENT SAVINGS PLAN

Statements of Changes in Assets Available for Benefits

Years ended December 31, 2009 and 2008

		2009	2008
Investment income (loss):			
Net appreciation (depreciation) in fair value of investments	$	1,389,164	(27,916,428)
Dividend income		1,149,804	2,544,262
Interest income		669,157	787,806
Total investment income (loss)		3,208,125	(24,584,360)
Contributions:			
Participant		3,901,327	3,770,208
Employer – 401(k) matching		1,856,979	1,817,191
Rollovers		306,947	600,931
Total contributions		6,065,253	6,188,330
		9,273,378	(18,396,030)
Deductions:			
Benefits paid		(5,052,265)	(4,074,088)
Administrative expenses		(37,352)	(64,619)
		(5,089,617)	(4,138,707)
Net increase (decrease)		4,183,761	(22,534,737)
Assets available for benefits:			
Beginning of year		75,493,823	98,028,560
End of year	$	79,677,584	75,493,823

See accompanying notes to financial statements.

CENTRAL PACIFIC BANK
401(k) RETIREMENT SAVINGS PLAN

Notes to Financial Statements

December 31, 2009 and 2008

(1) Description of the Plan

The following brief description of the Central Pacific Bank 401(k) Retirement Savings Plan (the Plan) provides only general information. Participants should refer to the Plan documents for a more complete description of the Plan's provisions.

(a) General

The Plan is a defined contribution retirement savings plan covering all employees of Central Pacific Bank and subsidiaries (the Bank) and certain other affiliated companies (note 8). The Plan permits employees to make participant contributions and receive base matching contributions after six months of service. Additionally, employees who have completed one year of employment and 1,000 hours of service during the year are entitled to share in any excess matching, discretionary profit sharing, and Employee Stock Ownership Plan (ESOP) contributions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

On September 15, 2004, Central Pacific Financial Corp. (the Company) completed its merger with CB Bancshares, Inc. (CBBI) whereby the Company acquired all of CBBI's outstanding shares for cash and stock. Pursuant to the merger agreement, the employees of CBBI and its subsidiaries are eligible to participate in the Company's plan on substantially the same terms as the Company's employees, taking into account for purposes of eligibility and vesting, service by employees of CBBI and its subsidiaries as if such services were with the Company. The Bank is a wholly owned subsidiary of the Company.

On August 17, 2005, the Bank acquired Hawaii HomeLoans, Inc. (HHL). Effective December 31, 2005, the Hawaii HomeLoans, Inc. 401(k) Retirement Savings Plan (HHL Plan) was terminated and plan assets of $1,568,032 were transferred from the HHL Plan to the Plan in July 2007. Upon the merger of the HHL Plan into the Plan, the provisions of this Plan, as amended, apply to the accounts transferred from the HHL Plan.

(b) Participant Contributions

Participant contributions to the Plan are based on an elected percentage of 1% to 100% of participant compensation. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions.

(c) Employer Contributions – 401(k)

The Bank may make matching contributions to the Plan out of its own funds equal to 100% of the elective deferrals made by eligible participants, up to a limit of not less than 4% or more than 6% of the participant's eligible compensation with the first 4% referred to as Base Matching Contributions and the balance, if any, referred to as Excess Matching Contributions. The Bank may also make discretionary contributions to eligible participant's accounts. No discretionary contributions were made in 2009 or 2008.

(d) Employer Contributions – Profit Sharing

The Bank's annual profit sharing contribution is at the discretion of the Bank's board of directors. The annual contribution is limited to the maximum allowed deduction for federal income tax purposes and may not exceed 25% of the compensation earned by eligible participants during the Plan year. The participant must be employed on the last day of the Plan year to be eligible to share in any profit sharing contribution. The Bank made no profit sharing contributions for 2009 and 2008.

(e) Employer Contributions – Employee Stock Ownership Plan

The Central Pacific Bank Employee Stock Ownership Plan was merged into the Plan effective July 1, 2003. The Bank may make ESOP contributions to the Plan at the discretion of the Bank's board of directors. The annual contribution is limited to the maximum allowed deduction for federal income tax purposes and may not exceed 25% of the compensation earned by eligible participants during the Plan year. No discretionary contributions were made in 2009 or 2008.

(f) Participants' Accounts and Forfeitures

Each participant's account is credited with the participant's contribution, the employer matching contribution, and any specified discretionary contributions, and is credited or charged with an allocation of Plan net earnings or losses and Plan administrative expenses. Daily allocations of Plan net earnings or losses are based on participants' account balances at the end of the previous day. Forfeitures of employer contributions may be (1) reallocated to participants, (2) used to reduce employer contributions, or (3) used to offset Plan expenses. Prior to 2007, the Bank elected to reallocate forfeitures to participants. In February 2007, the Bank elected to use forfeitures to offset Plan expenses as allowed in the Plan document. At December 31, 2009, there were $537 of forfeited nonvested employer matching contributions and $1,019 of forfeited nonvested profit sharing contributions to be used to offset Plan expenses. At December 31, 2008, there were $7,244 of forfeited nonvested employer matching contributions and $4,962 of forfeited nonvested profit sharing contributions to be used to offset Plan expenses.

(g) Vesting

Participant contributions and employer Base Matching Contributions plus actual earnings thereon are immediately vested. A participant's balance of his or her employer Excess Matching Contribution account and the employer's discretionary contributions are vested based on the participant's years of service, at a rate of 20% per year.

(h) Loans to Participants

Participants may borrow from their account up to 50% of their vested 401(k) account balance up to a maximum of $50,000, provided that the loan is paid back with interest within 5 years (or 15 years for the purchase of a primary residence). The loans are secured by the balance in the participant's account and bear interest at prevailing rates. Participant loans may be granted for any personal reason. At December 31, 2009, participant loans bear interest at various rates ranging from 3.12% to 9.00% and mature in years beginning in 2010 through 2023. Participant loans are valued at amortized cost.

(i) Payment of Benefits

Upon a participant's death, disability, retirement, or other termination of employment with the Bank, the participant will elect to be paid either a lump-sum amount, periodic installments over a fixed period, a direct rollover to another qualified plan or traditional individual retirement account, or a combination of these options equal to the value of his or her account. If a participant's vested interest in his or her account is $1,000 or less, the participant's vested interest may be distributed to the participant in a lump sum as soon as practicable after the participant's severance from employment. No consent of the participant is required for this involuntary cashout to be made.

(j) Administration

The Plan is administered by an administrative committee, which is composed of certain appointed employees of the Bank. The administrative committee has the responsibility of selecting the investment options of the trust into which participants can direct their contributions.

Vanguard Fiduciary Trust Company (the Trustee) is the trustee of the Plan. The Trustee has the responsibilities of investing, holding, collecting, distributing, and accounting for the assets of the trust.

All expenses incurred in the administration of the Plan have been paid by the Bank to the extent not paid by the Plan.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

In accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 946, investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The statements of assets available for benefits present the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statements of changes in assets available for benefits are prepared on a contract value basis.

(b) Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts of assets and changes therein and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(c) Recently Issued Accounting Standards

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157 (SFAS 157 or ASC 820), Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 applies to fair value measurements that are already required or permitted under existing accounting pronouncements with some exceptions. SFAS 157 retains the exchange price notion in defining fair value and clarifies that the exchange price is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability. It emphasizes that fair value is a market-based, not an entity-specific, measurement based upon the assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions in fair value measurements, SFAS 157 establishes a hierarchy that gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). SFAS 157 expands disclosures about the use of fair value, including disclosure of the level within the hierarchy in which the fair value measurements fall and the effect of the measurements on earnings (or changes in assets) for the period. The Plan adopted SFAS 157 on January 1, 2008.

(d) Investment Valuation and Income Recognition

The Plan’s investments are stated at fair value in accordance with ASC 820. ASC 820 discusses acceptable valuation techniques and inputs to these techniques. These inputs are assumptions market participants use in pricing investments. ASC 820 establishes a fair value hierarchy that prioritizes the inputs, which are summarized as follows:

Level 1 – Valuatio