



ISLAND SAVINGS PLAN



State of Hawaii Deferred Compensation Plan

QUARTERLY NEWSLETTER  SEPTEMBER 2007

LOCAL OFFICE NEWS

New Team Members


The local office announces the addition of **Kapena Kim** and **Grace Baracao** to the Island Savings Plan Honolulu office team. Kapena joins us as a Plan Consultant covering Oahu, while Grace will be servicing Plan participants as the Local Office Coordinator. Welcome Kapena and Grace!


Change Of Mailing Address


The CitiStreet Honolulu office has a new address. The U.S. Postal Service changed the address for Pauahi Tower where the local office is located. The new mailing address is now **1003 Bishop Street, Pauahi Tower, Suite 1160 Honolulu, Hawaii 96813**. This has not changed the physical location of the office.


FUND UPDATES

The Island Savings Plan's Board of Trustees, in conjunction with its Plan consultant, continues to monitor and inform participants about the Island Savings Plan's investment options in order to provide you with the best possible retirement planning tools.

 In July 2006, the Board placed the Fidelity Growth & Income Fund on the watch list. The Board voted to terminate the Fund and anticipates replacing the Fund with another large cap fund in or around December 2007.

 The Board also anticipates adding a second international equity fund in or around December 2007.

 At its August 15, 2007 meeting, the Board voted to place INVESCO, co-manager for the Stable Value Fund, on the watch list due to numerous organizational changes occurring as a result of the departures of several of its senior investment management professionals.

 **PIMCO Redemption Fee Eliminated**
As you are aware, effective March 31, 2006, PIMCO imposed a 2% redemption fee on the PIMCO Total Return Fund when selling your shares before the required holding period. Many investment fund managers added fees to short term investment trades to help decrease the volume of trades within a fund. Short term trading can have a negative effect on all participants who invest in that fund.

Because PIMCO has a solid trading policy in place, they determined that effective immediately, these fees will no longer be applied to trades executed in your PIMCO Total Return Fund. All investors are subject

to the rules and regulations of the fund as outlined in the fund prospectus. The fund prospectus can be obtained by calling the Information Line at

1-888-71-ALOHA (1-888-712-5642) or by logging on to the PIMCO Web site (access PIMCO Total Return Fund link).

You should read all fund literature available prior to investing.

EMPLOYEES' BENEFITS FAIRS COMING TO KAUAI' AND OAHU!

Come join us to learn more about the advantages of participating in the Island Savings Plan and get information about valuable features currently offered in the Plan, as well as new features and services being planned. Representatives of the various Investment Providers will be available to share information about their investment options in the Plan. In addition, a number of other benefit plan administrators will also be on hand to provide information regarding your other employment benefits. Don't miss out on these "one stop shop" opportunities to get informed about your benefits!

KAUAI'

October 23, 2007 (Tuesday)

Kauai' War Memorial Convention Hall

4191 Hardy Street

Lihue, HI

9:00am to 3:00pm

OAHU

October 26, 2007 (Friday)

Hawaii Okinawa Center

94-587 Ukee Street

Waipahu, HI

9:00am to 3:00pm

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

Office Hours
8 a.m. to 5 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.csplans.com>

State Web site
<http://state.hi.us>

Melody Takacs, Plan Manager
Honolulu

Sheila Fried
Maui
Big Island
Molokai
Lanai

Jeanne Kanai
Honolulu

Kapena Kim
Oahu

Peter Eddy
Oahu
Kauai
Big Island



(continued on reverse side)

(continued from page one)

NATIONAL SAVE FOR RETIREMENT WEEK 7 Days, 7 Ways to Celebrate

October 21 – 27, 2007 is designated National Save for Retirement Week. Use this week to make every day count with your Island Savings Plan and keep your long-term retirement goals within reach. Here are a few suggestions to get you started:

Sunday, October 21: Try one of the useful tools – planning calculators – offered on the Plan Web site. The calculators help you see how much your current contribution rate can grow over time and how long your estimated savings will last.

Monday, October 22: Make small trade-offs, like getting a drink of water from the tap rather than buying a bottle, to adjust your spending habits and find an extra \$1 a day (\$30 a month) to put into your Plan account. Saving \$1 more a day could make a savings difference of over \$25,000 after 30 years.*

*Hypothetical illustration assumes 6% annual return and 15% tax bracket. Performance is not indicative of any specific investment or future results.

Tuesday, October 23: Download your account information to either Quicken® or Microsoft® Money so you can view all your investment information to help you plan and make decisions. Go to the Plan Web site to find out how you can set up an automatic link from your account.

Wednesday, October 24: Read your enclosed statement to compare your current contribution rate to the IRS maximum annual contribution limit to make sure you're "taking it to the max!"

Thursday, October 25: Consolidate and save. By rolling over all of your other retirement plans into your Plan account, you may be able to reduce the total amount you pay in fees because you pay

only one participant fee, and the low asset-based fees keep more of your money working for you.

Friday, October 26: Review your investments and your asset allocations to see if your investment choices still work for your retirement savings goals, time horizon, and risk tolerance. You may want to make changes among your investment options or choose Automatic Rebalancing.

Saturday, October 27: Complete your beneficiary designation. This would be a great time to review or register your beneficiary information online.

The Island Savings Plan – It's All Yours! So, rest easy knowing that the strategy you put in place this week could last you a lifetime.

UNDERSTANDING REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

The Internal Revenue Service (IRS) requires minimum distributions (RMDs) to be taken from all qualified retirement plans, no later than April 1 following the year you turn age 70½, if you are no longer working. A 50% tax penalty may apply if RMDs do not begin at age 70½. CitiStreet will notify you by letter in the next few weeks if you need to take a minimum distribution.

PREPARING TO RETIRE OR LEAVE SERVICE?

Check out the Vacation Pay Deferral Program offered by your State jurisdiction or county! This valuable program offers you the ability to significantly increase your account balance in the Island Savings Plan, along with providing you considerable tax savings, by giving you the means to defer all or a portion of the lump sum you expect to receive for your unused vacation. Find out more by contacting your Personnel Office or contact a Plan Consultant at the CitiStreet Honolulu Office by calling 1-888-712-5642 and pressing option 2.

STABLE VALUE FUND RATES

Effective October 1, 2007, the Fourth Quarter rate for the Stable Value Fund is 5.05%.

QUARTERLY CALENDAR

Don't Fall Behind: Daylight Savings Ends

Starting on November 4, 2007, remember to complete transactions before 11:00 a.m. (HST) in order for the transaction to be processed the same day; otherwise, your transactions will be processed the following business day.

Upcoming Transaction Holidays

The New York Stock Exchange is closed on: Thanksgiving Day - Thursday, **November 22, 2007**; Christmas Day - Tuesday, **December 25, 2007**; New Year's Day - Tuesday, **January 1, 2008**; and Martin Luther King, Jr. Day - Monday, **January 21, 2008**.

This newsletter is intended for Island Savings Plan participants and should not be construed as investment, legal, or tax advice. For investment advice, consult a financial, legal, or tax professional. © 2007 CitiStreet, LLC. All rights reserved.