



Island Savings Plan News

STATE OF HAWAII
DEFERRED COMPENSATION PLAN



ISLAND SAVINGS PLAN • QUARTERLY NEWSLETTER • APRIL 2006

MORE THAN ONE WAY TO PLAN FOR YOUR FUTURE

Participating in the Hybrid Plan may be a good choice for some employees. Supplementing your pension by saving in the Island Savings Plan is a wise decision for all employees!

Whether or not you've chosen to participate in the Hybrid Plan, the Island Savings Plan is a critical component of a complete retirement savings strategy. You should continue to use the Island Savings Plan as a supplemental savings vehicle and take advantage of all its features, including:

- **Flexibility:** With sixteen (16) different investment options, you can choose how much you want to save, and change your contribution rate at any time.
- **Tax Benefits:** Every dollar you contribute reduces your gross income tax, and the money grows tax-free as long as it remains invested.
- **Ownership:** The money you save in the Island Savings Plan is yours; if you leave your job, you can roll it over into another qualified Plan.
- **Support:** Plan Consultants and Participant Services Representatives are available to answer your Plan questions and help you with transactions.
- **Accessibility:** You can manage your account 24 hours a day, 7 days a week, online or by phone.

The Island Savings Plan. It's all yours. And, combined with your pension benefits, it's a good plan for your future!

BIG ISLAND GETS FIRST SET OF EMPLOYEE BENEFITS FAIRS

The Island Savings Plan sponsored the Big Island's first set of Employees' Benefits Fairs on March 28, 2006, at Kealahou Intermediate School in Kailua-Kona and on March 31, 2006, at Waiakea High School in Hilo. At these Fairs, employees had the opportunity to meet and talk with members of the Plan's Board of Trustees, along with representatives from CitiStreet, LLC, the various investment product providers, the Employees' Retirement System, the Employer-Union Health Benefits Trust Fund and its health plan carriers. The Plan's Board of Trustees also held its Semi-Annual Board Meeting on March 30, 2006, in Hilo at which time CitiStreet presented its semi-annual report, and the Plan's consultant, Mercer Investment Consulting, provided its performance review of the Plan's investment funds.

EARLY VACATION PAYOUT

Retiring Soon? Want to find a way to shelter your unused vacation pay from taxes when you retire? You may want to consider being part of the increasing number of employees who are taking advantage of the Early Vacation Payout program, which provides you the ability to receive your unused vacation pay before separation so that all or part of it can be deferred to your Island Savings Plan. Deferring your unused vacation pay shelters it from taxes and instantly boosts your savings for retirement. If you would like to participate in the Early Vacation Payout program, contact your departmental, jurisdictional, or county personnel office for forms and/or instructions.

After you have obtained the instructions and have submitted the completed forms to your respective personnel office, call CitiStreet's local Honolulu office at 1-888-712-5642 (press "2") within the timeframe listed on the Early Vacation Payout Schedule to make your deferral request and confirm that you have submitted the necessary forms.

Local Office

1001 Bishop Street
Pauahi Tower, Suite 1160
Honolulu, Hawaii 96813

Office Hours

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

Public Parking

Bishop Street Parking Garage
(entrance on Alakea Street)

Information Line

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

Plan Web site

www.islandsavings.csplans.com

State Web site

<http://state.hi.us>

Clifford Shinch

Honolulu
Central and Leeward Oahu

Melody Takacs

Kauai
Honolulu
Windward Oahu

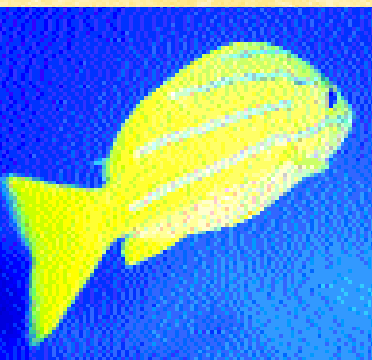
Sheila Fried

Maui
Molokai
Lanai
Big Island

Jeanne Kanai

Honolulu





IMPORTANT FUND UPDATES

Effective March 31, 2006, redemption fees and trading restrictions, designed to minimize the negative impact of short-term trading on fund performance, will be required by three of the investment fund managers in the Island Savings Plan. The following fee and trading restrictions will apply:

- **PIMCO Total Return Fund** will have a two per cent (2%) redemption fee assessed on shares held less than seven (7) calendar days.
- Plan participants who redeem shares valued at \$5,000 or more from the **EuroPacific Growth Fund** will not be able to invest in that fund within thirty (30) calendar days.
- Transactions involving shares of the **Vanguard Institutional Index Fund** and the **Vanguard Wellington Fund** will be rejected if you transfer money out of the fund and then try to transfer money back into the fund, or vice versa, within sixty (60) calendar days.

If you have questions, call the Plan Information Line at **1-888-71-ALOHA (1-888-712-5642)**.

Please read all fund literature carefully before investing.

GETTING TO KNOW YOUR BOARD OF TRUSTEES

Ryan Ushijima

Ryan S. Ushijima was appointed as a Board trustee for the Plan in 2003 and is currently the Investment Compliance Adviser of Bishop Street Capital Management, the investment-management subsidiary of First Hawaiian Bank. Trustee Ushijima comes to the Board with a breadth of knowledge and experience in the areas of securities compliance, corporate finance and acquisition advisory services, and regulatory compliance and financial operations. Trustee Ushijima was previously employed with the Business Registration Division of the Department of Commerce and Consumer Affairs and was the State's Commissioner of Securities for approximately seven (7) years. Trustee Ushijima earned his bachelor's degree, masters of business administration degree, and Juris Doctor degree from the University of Montana; formerly served as the Chief Financial Officer and Compliance Officer at Hawaiian Capital Securities; and was a principal at Hawaiian Capital Consultants, Inc. His first term will expire on June 30, 2007.

FREE PLAN INFORMATION SEMINARS

It is often said that knowledge is power. You can gain power and control over your retirement savings by learning more about the Island Savings Plan. As a plan participant, you have valuable resources available to help you understand the Plan's features and benefits. The following seminars are available to help you take full advantage of the Island Savings Plan:

- **Island Savings Plan Overview:** This seminar is designed for employees who are considering enrollment or want more information about the Island Savings Plan.
- **Asset Allocation:** Not sure how to select investments in your Island Savings Plan? This is the seminar for you.
- **Pre-Retirement Seminar:** Discusses relevant Island Savings Plan topics for employees within 3 to 5 years of retirement.

Take control of your future! Call the local office today at **1-888-71-ALOHA** (option "2") to find out when seminars are being held in your area. You'll not only go home with a better understanding of the advantages of the Island Savings Plan—you'll also get a souvenir from your Plan Consultant!

QUARTERLY CALENDAR

The New York Stock Exchange will be closed on **Monday, May 29, 2006** and **Tuesday, July 4, 2006**. Transactions made on these days will be processed the following business day.

This newsletter is intended for Island Savings Plan participants and should not be construed as investment advice. For investment advice consult a financial, legal, or tax professional.

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