



ISLAND SAVINGS PLAN



State of Hawaii Deferred Compensation Plan

QUARTERLY NEWSLETTER  JANUARY 2007

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 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>

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OCTOBER BENEFITS FAIRS ATTRACT LARGE ATTENDANCE!

Well over 1,400 employees took the opportunity to learn more about the features and advantages of participating in the Island Savings Plan, as well as other employee benefits, by attending the last set of 2006 State Employees' Benefits Fairs held on October 25 & 26, 2006 at the University of Hawaii at Mānoa – Campus Center and Aloha Stadium – Hospitality Room, respectively. If you could not attend a Benefits Fair in 2006, don't worry – several more are being planned for 2007! However, as always, if you have questions regarding the Island Savings Plan, need information, or would like to attend an Island Savings Plan educational workshop, log on to the Plan's Web site at <https://islandsavings.csplans.com>, or call the Information Line at **1-888-71-ALOHA (1-888-712-5642)**.



(L-R) Melody Takacs, Plan Manager, Island Savings Plan; Jeanne Kanai, Island Savings Plan Consultant - Honolulu; Robin Medina, Communication Strategist, CitiStreet

YOUR PLAN, YOUR PRIVACY

The Island Savings Plan places a high priority on protecting your privacy. That's why you are required to use a Personal Identification Number (PIN) and one of two alternate security methods to access your account and perform transactions. You may use either your Social Security number (SSN) or a personalized Username along with your PIN to retrieve your confidential information. Once you enter your SSN (or Username) and PIN, both are encrypted and sent over the Internet securely. As confirmation of a secure Web site, a padlock icon at the bottom right of your Web page screen indicates that the site is SSL (Secure Sockets Layer) Secured 128-bit to encrypt data.

Further, written Plan communications do not include your SSN and when logging on to the Plan Web site, it is blocked out completely.

You may change your Web site Login preference to a username by clicking on "My Preferences." If you forget your username on a subsequent visit, you may access your account with your SSN.

If you no longer have your PIN, you may log on to the Plan Web site and click on "Forgot your PIN" or call the Information Line to have a PIN reminder sent to your address on record. You also may select the "PIN Reset" option online. In order to reset your PIN online, you are

required to set up security questions and answers, which are used along with your date of birth, to establish your identity. You may then create a personalized PIN using between 6 and 20 letters, numbers, or a combination of both. You only need to enter this security information once, so that if you forget your PIN at any time in the future, you may answer the questions you chose and obtain account access.

(Note: PIN changes made through the Information Line will consist of all numeric characters only, as the touch-tone phone does not recognize alphabetical characters.)

To find out more about protecting your identity, log on to your Plan account Web site at <https://islandsavings.csplans.com> and click on **Financial Resource Center > Solutions Online > Solutions Newsletter Summer 2005** to read the article "Safeguarding Your Identity."

Welcome Back!

Peter Eddy has returned to the Island Savings Plan team as a Plan Consultant in the local office. Some of you may remember Peter from his time spent as a Plan Consultant covering the territories of Maui County, Kauai County and Kona on the Big Island. After a brief departure, he is now back at the local office, servicing Plan participants on Kauai and Oahu.



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Coming Soon: Post-Separation Pay Deferral Program

The IRS recently issued new regulations that once again allow the deferral of pay a Plan participant receives for unused vacation leave after separation from service ("Post-Separation Deferrals"); provided that the deferral is made within 2½ months from the date of separation. Based on these new regulations, the Board of Trustees voted to allow such Post-Separation Deferrals in the Plan at its November 27, 2006 meeting. Once the needed payroll system changes are implemented and procedures are developed, instructions will be provided for those employees interested in taking advantage of this new feature.

Until further notice, the State will continue its Early Vacation Payout program which provides Plan participants the opportunity to receive partial pay for unused vacation prior to separation from service for the purpose of deferring such pay to their Island Savings Plan account.

BID SOLICITATION FOR INVESTMENT CONSULTANT

The Board of Trustees is in the process of soliciting bid proposals in response to its Request for Proposals for Investment Consulting Services that was issued in December 2006. The current contract with the Plan's current investment consultant, Mercer Investment Consulting (Mercer), will expire in May 2007. Mercer has been advising the Board since 2002.

1099 Forms

1099 forms for 2006 will be mailed before the end of January 2007. If you have not received your 1099 by February 15, 2007, call the Plan Information Line at **1-888-71-ALOHA (1-888-712-5642)**, Monday through Friday, 6:00 am to 5:00 pm HST and Saturdays from 6:00 am to 12:00 pm HST and speak to a Participant Services Representative.

New Limits for 2007

The IRS recently announced a cost-of-living adjustment for tax year 2007, increasing the annual contribution limit you can make to your account to \$15,500.

Maximize the limits

Participants whose payroll deductions stopped automatically during the year due to reaching IRS limits in 2006 will have the last deferral election amount on record restart automatically with the first payroll in 2007. Therefore, you may want to check your Plan account or paystub to be sure that deferrals have started again and are the correct amount that you desire in order to take advantage of the limit increase. You can reset your payroll deferral amount either online through "Manage Investments" or by calling the Information Line and choosing "Investment Elections & Contribution Information."

Catch-up if you can

As a current employee contributing to the Plan who has not yet retired and is age 50 and over or within three years of normal retirement age, you may be able to take advantage of one of the two catch-up provisions. With the Age 50 and Over Catch-up contribution, you are able to save an additional \$5,000, for a total of \$20,500 to your account for 2007; or, you may double your savings amount by taking advantage of the Three-Year Catch-Up provision to save an additional \$15,500, for a total savings of \$31,000.*

Updates to your payroll deduction amount can be made at any time; however, please note that it could take up to two payroll periods before your deferral changes take effect. For more information on the amount that you are able to contribute, please log on to <https://islandsavings.csplans.com> or call **1-888-71-ALOHA (1-888-712-5642)** if you would like to initiate any adjustments necessary to reach the 2007 contribution limits.

*You must choose only one type of catch-up provision in any given year that you are eligible to participate.



QUARTERLY CALENDAR

Customer Service Representatives are available Monday through Friday, 6 a.m. to 5 p.m. (HST), and Saturday 6 a.m. to 12 p.m. (HST), except on New York Stock Exchange holidays. Upcoming Stock Exchange holidays are:

Monday, January 15, 2007

Monday, February 19, 2007

Friday, April 6, 2007

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. © 2006 CitiStreet, LLC. All rights reserved. SKU#HI4Q06