



news

ISLAND SAVINGS PLAN



State of Hawaii Deferred
Compensation Plan

QUARTERLY NEWSLETTER  OCTOBER 2006


DID YOU KNOW THAT YOU PAY LOWER FEES BECAUSE OF THE SIZE OF THE ISLAND SAVINGS PLAN?

Your Plan offers you institutional class mutual funds. What this means to you is that the investment management fees for a respective fund are considerably lower than the retail class mutual funds that are offered in the public trading marketplace. This gives you more money in your account. Just another way participating in the Plan benefits you!

FUND UPDATES


The Island Savings Plan's Board of Trustees, in conjunction with its Plan consultant, monitors and, at times, makes changes to the Plan's investment lineup. Recently, the Board decided to make the following fund changes in order to provide you with the best possible retirement planning tools to reach your retirement savings goals:


FUND WATCH ALERTS

 **Fidelity Growth & Income Fund**—The Board has been closely monitoring the Fidelity Growth & Income Fund over the past few months. At its July 10, 2006 meeting, the Board voted to place the Fund on the watch list due to the Fund's underperformance in comparison to its large cap benchmark.

 **Wells Fargo Large Company Growth Fund**—At its August 24, 2006 meeting, the Board voted to place the Wells Fargo Large Company Growth Fund on the watch list due to the Fund's recent underperformance. The Board will be closely monitoring the Fund.

FUND CHANGES

 Currently the Plan offers two balanced funds: the **Fidelity Puritan Fund** and the **Vanguard Wellington Fund**. As these two funds duplicate each other, the Board decided to terminate the Fidelity Puritan Fund and retain the Vanguard Wellington Fund due to its lower expense ratio and better performance history. At the close of the New York Stock Exchange business (11:00 a.m. Hawai'i Time/4:00 p.m. Eastern Time) on Monday, October 30, 2006, the remaining assets in the Fidelity Puritan Fund will be automatically transferred into the Vanguard Wellington Fund.

 At its August 24, 2006 meeting, the Board voted to terminate the **Delaware Trend Fund** because of the Fund's underperformance and departure of several key senior managers. The new **Century SMID Cap Growth Equity Fund**, a separately managed small/mid cap growth fund, will replace the Delaware Trend Fund. At the close of the New York Stock Exchange business (11:00 a.m. Hawai'i Time/4:00 p.m. Eastern Time) on Monday, October 30, 2006, the remaining assets in the Delaware Trend Fund will be automatically transferred to the Century SMID Cap Growth Equity fund.

Notification of the fund changes above was mailed to all participants in September 2006 to give participants approximately 30 days to transfer their assets out of the Fidelity Puritan Fund and Delaware Trend Fund into any of the other available investment options before the remaining assets in the terminated funds are automatically transferred at the close of the New York Stock Exchange business (11:00 a.m. Hawai'i Time/4:00 p.m. Eastern Time) on October 30, 2006. To transfer your assets to any of the Plan's other investment options, you can log on to the Plan Web site at <https://islandsavings.csplans.com> or call the Plan Information Line at 1-888-71-ALOHA (1-888-712-5642) at any time.

EXPECTING A PAY INCREASE?

If you are one of the many employees that have received or will be receiving a pay increase in the next few months, you may want to consider giving your retirement savings a boost by increasing your Island Savings Plan contribution amount—especially if you may have previously lowered your contribution amount to accommodate for the Hybrid Plan (new retirement plan) contributions that took effect in July 2006. Here is a way to put that additional pay to work for you and further improve your retirement savings picture!

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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STATE EMPLOYEES' BENEFITS FAIRS AT UH-MĀNOA AND ALOHA STADIUM

October 22 – 28, 2006 is designated as **National Save for Retirement Week**, and what better way to celebrate and focus on things you can do right now to plan for a more secure retirement than to attend one of the last Employees' Benefits Fairs for 2006. State employees on O'ahu—don't miss this opportunity to learn more about the Island Savings Plan, receive updates on the Plan and its investment options, receive one-on-one assistance from Plan Consultants, speak directly with Investment Fund providers, meet members of the Plan's Board of Trustees, and learn more about other employment benefits.

Wednesday, October 25, 2006

University of Hawai'i at Mānoa

Campus Center Ballroom
2465 Campus Road
Honolulu, HI
9:00 am – 3:00 pm

Thursday, October 26, 2006

Aloha Stadium – Hospitality Room

99-500 Salt Lake Blvd.
Aiea, HI
9:00 am – 4:00 pm

A schedule of informational seminars for each Fair can be found on Fair posters recently distributed to all State agencies.

Ample free parking is available at the Aloha Stadium Fair site. Due to the limited availability of parking on the UH campus, shuttle service will be provided to and from nearby State facilities to the UH campus. A schedule of shuttle pick-up/drop-off sites and approximate times can also be found on recently distributed Fair posters. A copy of the poster and additional information can also be found on the Plan's Web site at <https://islandsavings.csplans.com>.

Required Minimum Distributions (RMD)

If you will be age 70½ or older by December 31, 2006, Internal Revenue Service (IRS) regulations require you to take a distribution from your Island Savings Plan account each year. CitiStreet will notify you by mail on what you need to do to receive your required minimum distribution (RMD). If you do not take the RMD when you become eligible, you may be subject to a substantial IRS penalty.

Note: If you are age 70½ or older, but remain an active employee, you are not required to begin taking distributions. For more information on RMDs, log on to the Plan's Web site at <https://islandsavings.csplans.com> or call the Plan's Information Line at 1-888-71-ALOHA (1-888-712-5642) and speak to a Participant Services Representative.

QUARTERLY CALENDAR

Reminder: Daylight Saving Time ends on October 29, 2006

Beginning on Monday, October 30, 2006, the New York Stock Exchange will close at 11:00 a.m. HST. Transactions completed before 11:00 a.m. HST will be effective the same day, while transactions completed after 11:00 a.m. HST will be effective the next business day.

Quarterly Transaction Holidays

The New York Stock Exchange will be closed on Thursday, November 23, 2006; Monday, December 25, 2006; Monday, January 1, 2007; and Monday, January 15, 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#HI3Q06



Random Telephone Survey

Your Plan offers you a big thank you to those who participated in the telephone survey during the month of August!

TNS, a third-party independent survey company, will continue to periodically conduct random telephone surveys to assess participant satisfaction with the Plan. Your participation in the ongoing surveys and feedback on the Plan, the investment products, and the services provided by CitiStreet, is greatly appreciated and helps the Board serve you better.