

June 28, 2016

Dear EBMUD 401(k) / 457 / 401(a) Plan Participant:

**IMPORTANT CHANGES to Your EBMUD 401(k), 457, and 401(a) Plans at Fidelity Investments**

East Bay Municipal Utility District continually reviews Plan administrative costs to help ensure you receive value when saving for your retirement. Based on information provided by the investment consultant, Hyas Group, and the National Association of Government Defined Contribution Administrators (“NAGDCA”), the plan administration and recordkeeping fees charged to EBMUD by Fidelity Investments are substantially lower than fees paid by many other government agencies. And unlike many other government agencies, EBMUD pays \$105,500 each year toward the EBMUD 401(k) / 457 / 401(a) Deferred Compensation Plans’ (the “DC Plans”) expenses. EBMUD has recently implemented new changes to make the DC Plans’ expenses more transparent and easier to understand.

**Revenue Credit\* – Special Allocation to All Participants – June 30, 2016**

EBMUD’s DC Plans receive revenue credits from Fidelity Investments when recordkeeping revenue earned exceeds Fidelity’s requirements for plan administration and recordkeeping services. The revenue credits are deposited in a plan-level account in each of the DC Plans to be used to pay necessary DC Plan expenses or allocated to eligible DC Plan participants as determined by EBMUD. Recently EBMUD has noted that the balance in the revenue credit accounts have grown larger than is needed for the related DC Plan’s expenses, and has decided to allocate some revenue credit monies to all participants with an account balance on a pro- rata basis. This means that the larger a participant's percentage of the applicable DC Plan’s assets, the larger the credit will be. The credit will be placed into participants' accounts on June 30, 2016 and appear on the July 2016 statement as “Revenue Credit”.

**Ongoing Revenue Credit to Eligible Participants – January 2017**

Starting January 2017, revenue credits will no longer be used to pay the administrative costs of the DC Plans. Instead, a revenue credit will be allocated quarterly to participants who hold investment options in the DC Plan(s) they participate in based on the chart below.\*\*

**Participant Fees – January 2017**

Starting January 2017, participants will contribute directly toward administrative costs of the DC Plan(s) in which they participate. EBMUD will continue to contribute \$105,500 each year toward those expenses. The current fees for Fidelity’s plan administration and recordkeeping services will be 0.033% of participant’s account assets per year. This will be a quarterly charge to each account and appear on the quarterly statements as “Administrative Fees” beginning April 2017. The total DC Plan expenses and participant fees may vary annually.

Over the next year, EBMUD will continue to communicate with Plan participants about these changes through emails, letters, and presentations.

Please contact HR Employee Services at (510) 287-0714 if you have any questions.

Sincerely,

East Bay Municipal Utility District

\* **Revenue Credit** – In some situations, Fidelity Investments receives payments attributable to certain mutual funds from investment fund service providers whose funds are available to participants under the DC Plans. In other instances, there are offsets attributable to certain mutual funds.

\*\*The following chart provides a complete list of the funds for which a Revenue Credit will be allocated starting January 2017 to participant accounts invested in those funds (and the applicable annual crediting rate for each):

<b>EBMUD 401(k), 457, 401(a) Plans Revenue Credit Funds</b>	<b>Expense Ratio</b>	<b>Revenue Credits</b>
Dodge & Cox Stock Fund	0.52%	0.10%
Fidelity Balanced Fund - Class K	0.46%	0.20%
Fidelity Blue Chip Growth Fund - Class K	0.78%	0.20%
Fidelity Retirement Money Market	0.42%	0.20%
Hotchkis & Wiley Mid-Cap Value Fund Class I	1.00%	0.25%
Huber Small Cap Value Institutional	1.35%	0.15%
MFS Mid Cap Growth - Class R4	0.97%	0.15%
Scout Core Plus Bond	0.40%	0.10%
T Rowe Price Equity Income Fund	0.66%	0.15%

Note: Expense Ratio is the participant's cost of investing in the fund. The fund's investment return is reported gross of these fees. The revenue credit is the amount the fund manager pays to Fidelity. Revenue Credits are not an additional cost to the participant or EBMUD.

Information was provided by East Bay Municipal Utility District. Fidelity Investments is not responsible for its content.

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