Aqua Shareholders: Vote to Reform Executive Retirement Benefits

Proxy Voting Information for Aqua America, Inc. (NYSE: WTR)
Annual Shareholder Meeting Date: May 8, 2015

Utility Workers Union of America, AFL-CIO (UWUA) · April 7, 2015

We are writing to urge shareholders to vote **"FOR"** a shareholder proposal asking Aqua America's Board of Directors to seek shareholder approval for any future extraordinary retirement benefits for top executives. Please vote **"FOR"** Proposal #5 in Aqua's proxy statement.

In our view, ***shareholders should be permitted to vote to approve any future extraordinary executive retirement benefits***, especially considering lucrative retirement benefits previously granted to Aqua's top executives and the relatively high levels of executive pay at the Company.

VOTE "FOR" PROPOSAL #5 TO REFORM EXTRAORDINARY EXECUTIVE RETIREMENT BENEFITS

Aqua maintains two supplemental retirement plans that provide extraordinary pension benefits for senior executives: a Supplemental Pension Benefit Plan ("SPBP") for top executives and other salaried employees, and a Supplemental Executive Retirement Plan ("SERP") that is available only to CEO Nicholas DeBenedictis. The SERP provides retirement benefits to the CEO even beyond those provided under the SPBP and the Company's tax-qualified Retirement Plan.

These supplemental plans are not tied in any way to corporate or executive performance, and moreover provide executives with extraordinary benefits that are not generally available to all employees. For example, ***the SERP credits CEO DeBenedictis with additional years of service beyond his actual service*** (two years of additional service credit as of 2014).

AQUA DIRECTORS BOOST SUPPLEMENTAL PLAN BENEFITS DURING 2014

In addition, the directors recently amended the Supplemental Pension Benefit Plan to provide additional benefits to senior executives that are not generally available to all Aqua employees.

Effective 12/31/2014, the Company froze executives' plan compensation and credited service for purposes of determining benefits under the tax-qualified Retirement Plan, ***but also amended the SPBP "to include credited service and plan compensation that the named executive officers would have otherwise accrued under the Retirement Plan if their benefit had not been frozen in the Retirement Plan."*** (Aqua 2015 proxy, p. 50.) Hourly employees have also had their benefit accruals frozen under the Retirement Plan, but they are not eligible for the SPBP plan.

The UWUA is not seeking to act as a proxy for any shareholder. We will not accept proxy cards, and any proxy cards received will be returned.

Aqua Shareholders: Vote to Reform Executive Retirement Benefits

These various supplemental executive retirement benefits impose significant costs on Aqua shareholders, without regard to corporate or executive performance. For example, the present value of CEO DeBenedictis' total retirement benefits at the end of 2014 was more than $7.5 million, including $4.7 million in supplemental pension benefits (or 2.0% of 2014 net income).

In contrast, American Water (NYSE: AWK) – the largest investor-owned water utility in the U.S. – closed its supplemental Executive Retirement Plan to new employees nearly ten years ago at the end of 2005. As a result, neither American Water's current CEO nor its recently retired CEO have any accumulated benefits under the supplemental Executive Retirement Plan (or for that matter under the company's tax-qualified defined benefit pension plan).

AQUA'S HIGH LEVELS OF EXECUTIVE COMPENSATION

We also believe preferential retirement benefits for Aqua's top executives are unnecessary given the Company's relatively high levels of executive pay. For example, Aqua granted nearly $3.5 million in total pay to its CEO during 2014 – an amount equivalent to 1.5% of 2014 net income.

Aqua's CEO pay level is also roughly equivalent to CEO pay at American Water, even though American Water reported nearly four times Aqua's operating revenues and employees last year and five times the total customers served. Total CEO pay at Aqua was $3.2 million in 2013, compared to $3.7 million at American Water. In 2012, total CEO pay at Aqua was $3.5 million, compared to $3.8 million at American Water.

VOTE "FOR" REFORM OF AQUA'S EXTRAORDINARY EXECUTIVE RETIREMENT BENEFITS

As noted above, Aqua's supplemental executive retirement benefits are in no way linked to corporate or executive performance. ***Shareholders will be required to fund Aqua's preferential retirement benefits long after executives' departures, regardless of performance***.

This shareholder proposal merely requests that directors seek shareholder approval for any future grants of extraordinary retirement benefits to top executives. If shareholders support granting these benefits, they will vote yes. If not, they will vote no. ***What could be more fair?***

About UWUA

The Utility Workers Union of America represents employees in utility and related industries, including hourly employees of Aqua America. The UWUA and certain of its members are Aqua shareholders. The UWUA is the proponent of Proposal #5 in Aqua's 2015 proxy statement.

Utility Workers Union of America, 815 16th Street NW, Washington DC 20006

The UWUA is not seeking to act as a proxy for any shareholder. We will not accept proxy cards, and any proxy cards received will be returned.