

|                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                         |
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| <b>Form 5500</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security<br>Administration<br><br>Pension Benefit Guaranty Corporation | <b>Annual Return/Report of Employee Benefit Plan</b><br>This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code).<br><br><p style="text-align: center;">▶ <b>Complete all entries in accordance with the instructions to the Form 5500.</b></p> | OMB Nos. 1210-0110<br>1210-0089<br><br><b>2013</b><br><br><b>This Form is Open to Public Inspection</b> |
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|                                                                                                          |                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part I</b>                                                                                            | <b>Annual Report Identification Information</b>                                                                                                                                                                                           |
| For calendar plan year 2013 or fiscal plan year beginning <u>01/01/2013</u> and ending <u>12/31/2013</u> |                                                                                                                                                                                                                                           |
| A This return/report is for:                                                                             | <input type="checkbox"/> a multiemployer plan; <input type="checkbox"/> a multiple-employer plan; or<br><input checked="" type="checkbox"/> a single-employer plan; <input type="checkbox"/> a DFE (specify) ____                         |
| B This return/report is:                                                                                 | <input type="checkbox"/> the first return/report; <input type="checkbox"/> the final return/report;<br><input type="checkbox"/> an amended return/report; <input type="checkbox"/> a short plan year return/report (less than 12 months). |
| C If the plan is a collectively-bargained plan, check here. . . . .                                      | <input checked="" type="checkbox"/>                                                                                                                                                                                                       |
| D Check box if filing under:                                                                             | <input checked="" type="checkbox"/> Form 5558; <input type="checkbox"/> automatic extension; <input type="checkbox"/> the DFVC program;<br><input type="checkbox"/> special extension (enter description)                                 |

|                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|------------|-------------------------------------------------------|--|---------------------------------------------------------------------|--|-------------------------------------------------------------|--|-------------------------------------------------------------|--|
| <b>Part II</b>                                                                                                                                                                                               | <b>Basic Plan Information</b> —enter all requested information                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>1a</b> Name of plan<br><u>XYLEM BELL &amp; GOSSETT PENSION PLAN FOR HOURLY EMPLOYEES</u>                                                                                                                  | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"><b>1b</b> Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>028</u></td> </tr> <tr> <td colspan="2"><b>1c</b> Effective date of plan<br/><u>01/01/1965</u></td> </tr> <tr> <td colspan="2"><b>2b</b> Employer Identification Number (EIN)<br/><u>45-2080495</u></td> </tr> <tr> <td colspan="2"><b>2c</b> Sponsor's telephone number<br/><u>914-323-5700</u></td> </tr> <tr> <td colspan="2"><b>2d</b> Business code (see instructions)<br/><u>333200</u></td> </tr> </table> | <b>1b</b> Three-digit plan number (PN) ▶ | <u>028</u> | <b>1c</b> Effective date of plan<br><u>01/01/1965</u> |  | <b>2b</b> Employer Identification Number (EIN)<br><u>45-2080495</u> |  | <b>2c</b> Sponsor's telephone number<br><u>914-323-5700</u> |  | <b>2d</b> Business code (see instructions)<br><u>333200</u> |  |
| <b>1b</b> Three-digit plan number (PN) ▶                                                                                                                                                                     | <u>028</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>1c</b> Effective date of plan<br><u>01/01/1965</u>                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>2b</b> Employer Identification Number (EIN)<br><u>45-2080495</u>                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>2c</b> Sponsor's telephone number<br><u>914-323-5700</u>                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>2d</b> Business code (see instructions)<br><u>333200</u>                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>2a</b> Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan)<br><br><u>XYLEM INC.</u><br><br><u>1 INTERNATIONAL DRIVE</u><br><u>RYE BROOK, NY 10573</u> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |

**Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.**

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

|                                                                                                            |                                                                                         |                    |                                                                                  |
|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|--------------------|----------------------------------------------------------------------------------|
| <b>SIGN HERE</b>                                                                                           | Filed with authorized/valid electronic signature.<br>Signature of plan administrator    | 10/14/2014<br>Date | COLLEEN FRANKE<br>Enter name of individual signing as plan administrator         |
| <b>SIGN HERE</b>                                                                                           | Filed with authorized/valid electronic signature.<br>Signature of employer/plan sponsor | 10/14/2014<br>Date | JOHN P. CONNOLLY<br>Enter name of individual signing as employer or plan sponsor |
| <b>SIGN HERE</b>                                                                                           | Signature of DFE                                                                        | Date               | Enter name of individual signing as DFE                                          |
| Preparer's name (including firm name, if applicable) and address; include room or suite number. (optional) |                                                                                         |                    | Preparer's telephone number (optional)                                           |

|                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| <b>3a</b> Plan administrator's name and address <input type="checkbox"/> Same as Plan Sponsor Name <input type="checkbox"/> Same as Plan Sponsor Address<br><br>FLUID HANDLING, LLC<br><br>8200 NORTH AUSTIN AVENUE<br>MORTON GROVE, IL 60053                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>3b</b> Administrator's EIN<br>42-2237289                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>3c</b> Administrator's telephone number<br>847-983-5628 |
| <b>4</b> If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:<br><b>a</b> Sponsor's name                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>4b</b> EIN<br><br><b>4c</b> PN                          |
| <b>5</b> Total number of participants at the beginning of the plan year                                                                                                                                                                                                                                                                                                                                                               | <b>5</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 807                                                        |
| <b>6</b> Number of participants as of the end of the plan year (welfare plans complete only lines <b>6a</b> , <b>6b</b> , <b>6c</b> , and <b>6d</b> ).                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                            |
| <b>a</b> Active participants .....                                                                                                                                                                                                                                                                                                                                                                                                    | <b>6a</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 324                                                        |
| <b>b</b> Retired or separated participants receiving benefits .....                                                                                                                                                                                                                                                                                                                                                                   | <b>6b</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 302                                                        |
| <b>c</b> Other retired or separated participants entitled to future benefits.....                                                                                                                                                                                                                                                                                                                                                     | <b>6c</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 83                                                         |
| <b>d</b> Subtotal. Add lines <b>6a</b> , <b>6b</b> , and <b>6c</b> .....                                                                                                                                                                                                                                                                                                                                                              | <b>6d</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 709                                                        |
| <b>e</b> Deceased participants whose beneficiaries are receiving or are entitled to receive benefits .....                                                                                                                                                                                                                                                                                                                            | <b>6e</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 90                                                         |
| <b>f</b> Total. Add lines <b>6d</b> and <b>6e</b> .....                                                                                                                                                                                                                                                                                                                                                                               | <b>6f</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 799                                                        |
| <b>g</b> Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) .....                                                                                                                                                                                                                                                                                       | <b>6g</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                            |
| <b>h</b> Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested .....                                                                                                                                                                                                                                                                                           | <b>6h</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 1                                                          |
| <b>7</b> Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....                                                                                                                                                                                                                                                                                                   | <b>7</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                            |
| <b>8a</b> If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:<br>1B 3H                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                            |
| <b>b</b> If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                            |
| <b>9a</b> Plan funding arrangement (check all that apply)<br>(1) <input type="checkbox"/> Insurance<br>(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts<br>(3) <input checked="" type="checkbox"/> Trust<br>(4) <input type="checkbox"/> General assets of the sponsor                                                                                                                                         | <b>9b</b> Plan benefit arrangement (check all that apply)<br>(1) <input type="checkbox"/> Insurance<br>(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts<br>(3) <input checked="" type="checkbox"/> Trust<br>(4) <input type="checkbox"/> General assets of the sponsor                                                                                                                                                                                                              |                                                            |
| <b>10</b> Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                            |
| <b>a Pension Schedules</b><br>(1) <input checked="" type="checkbox"/> <b>R</b> (Retirement Plan Information)<br><br>(2) <input type="checkbox"/> <b>MB</b> (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary<br><br>(3) <input checked="" type="checkbox"/> <b>SB</b> (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary | <b>b General Schedules</b><br>(1) <input checked="" type="checkbox"/> <b>H</b> (Financial Information)<br>(2) <input type="checkbox"/> <b>I</b> (Financial Information – Small Plan)<br>(3) <input type="checkbox"/> <u>0</u> <b>A</b> (Insurance Information)<br>(4) <input type="checkbox"/> <b>C</b> (Service Provider Information)<br>(5) <input checked="" type="checkbox"/> <b>D</b> (DFE/Participating Plan Information)<br>(6) <input type="checkbox"/> <b>G</b> (Financial Transaction Schedules) |                                                            |

|                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                    |                                                                                           |
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| <b>SCHEDULE SB</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Single-Employer Defined Benefit Plan</b><br><b>Actuarial Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).<br><br>▶ <b>File as an attachment to Form 5500 or 5500-SF.</b> | OMB No. 1210-0110<br><br><b>2013</b><br><br><b>This Form is Open to Public Inspection</b> |
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For calendar plan year 2013 or fiscal plan year beginning 01/01/2013 and ending 12/31/2013

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

|                                                                                                                                           |                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>A</b> Name of plan<br><u>XYLEM BELL &amp; GOSSETT PENSION PLAN FOR HOURLY EMPLOYEES</u>                                                | <b>B</b> Three-digit plan number (PN) ▶ <u>028</u>                                                                                                      |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF<br><u>XYLEM INC.</u>                                             | <b>D</b> Employer Identification Number (EIN)<br><u>45-2080495</u>                                                                                      |
| <b>E</b> Type of plan: <input checked="" type="checkbox"/> Single <input type="checkbox"/> Multiple-A <input type="checkbox"/> Multiple-B | <b>F</b> Prior year plan size: <input type="checkbox"/> 100 or fewer <input type="checkbox"/> 101-500 <input checked="" type="checkbox"/> More than 500 |

|                                                                                                                                                                                                                |                                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| <b>Part I</b>                                                                                                                                                                                                  | <b>Basic Information</b>                |
| <b>1</b> Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2013</u>                                                                                                                              |                                         |
| <b>2</b> Assets:                                                                                                                                                                                               |                                         |
| <b>a</b> Market value .....                                                                                                                                                                                    | <b>2a</b> <u>27088378</u>               |
| <b>b</b> Actuarial value .....                                                                                                                                                                                 | <b>2b</b> <u>27230481</u>               |
| <b>3</b> Funding target/participant count breakdown:                                                                                                                                                           |                                         |
| <b>a</b> For retired participants and beneficiaries receiving payment.....                                                                                                                                     | <b>3a</b> <u>385</u> <u>17204207</u>    |
| <b>b</b> For terminated vested participants.....                                                                                                                                                               | <b>3b</b> <u>95</u> <u>1539857</u>      |
| <b>c</b> For active participants:                                                                                                                                                                              |                                         |
| <b>(1)</b> Non-vested benefits .....                                                                                                                                                                           | <b>3c(1)</b> <u>248653</u>              |
| <b>(2)</b> Vested benefits .....                                                                                                                                                                               | <b>3c(2)</b> <u>11395968</u>            |
| <b>(3)</b> Total active.....                                                                                                                                                                                   | <b>3c(3)</b> <u>327</u> <u>11644621</u> |
| <b>d</b> Total.....                                                                                                                                                                                            | <b>3d</b> <u>807</u> <u>30388685</u>    |
| <b>4</b> If the plan is in at-risk status, check the box and complete lines (a) and (b)..... <input type="checkbox"/>                                                                                          |                                         |
| <b>a</b> Funding target disregarding prescribed at-risk assumptions .....                                                                                                                                      | <b>4a</b>                               |
| <b>b</b> Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor..... | <b>4b</b>                               |
| <b>5</b> Effective interest rate .....                                                                                                                                                                         | <b>5</b> <u>6.28</u> %                  |
| <b>6</b> Target normal cost .....                                                                                                                                                                              | <b>6</b> <u>835180</u>                  |

**Statement by Enrolled Actuary**

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

|                                                          |                               |                                        |
|----------------------------------------------------------|-------------------------------|----------------------------------------|
| <b>SIGN HERE</b>                                         |                               | <u>09/23/2014</u>                      |
|                                                          | Signature of actuary          | Date                                   |
| <u>SUZANNE HUGHES</u>                                    | Type or print name of actuary | <u>14-07118</u>                        |
|                                                          |                               | Most recent enrollment number          |
| <u>BUCK CONSULTANTS, LLC</u>                             | Firm name                     | <u>201-902-2615</u>                    |
|                                                          |                               | Telephone number (including area code) |
| <u>500 PLAZA DRIVE</u><br><u>SECAUCUS, NJ 07096-1533</u> | Address of the firm           |                                        |

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

**For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.**

**Schedule SB (Form 5500) 2013**  
**v. 130118**

| <b>Part II Beginning of Year Carryover and Prefunding Balances</b>                                                                         |                       |                        |
|--------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------------------|
|                                                                                                                                            | (a) Carryover balance | (b) Prefunding balance |
| <b>7</b> Balance at beginning of prior year after applicable adjustments (line 13 from prior year) .....                                   | 0                     | 363243                 |
| <b>8</b> Portion elected for use to offset prior year's funding requirement (line 35 from prior year) .....                                | 0                     | 363243                 |
| <b>9</b> Amount remaining (line 7 minus line 8) .....                                                                                      | 0                     | 0                      |
| <b>10</b> Interest on line 9 using prior year's actual return of <u>11.45</u> % .....                                                      | 0                     | 0                      |
| <b>11</b> Prior year's excess contributions to be added to prefunding balance:                                                             |                       |                        |
| <b>a</b> Present value of excess contributions (line 38a from prior year) .....                                                            |                       | 596                    |
| <b>b</b> Interest on (a) using prior year's effective interest rate of <u>6.98</u> % except as otherwise provided (see instructions) ..... |                       | 68                     |
| <b>c</b> Total available at beginning of current plan year to add to prefunding balance .....                                              |                       | 664                    |
| <b>d</b> Portion of (c) to be added to prefunding balance .....                                                                            |                       | 0                      |
| <b>12</b> Other reductions in balances due to elections or deemed elections .....                                                          | 0                     | 0                      |
| <b>13</b> Balance at beginning of current year (line 9 + line 10 + line 11d – line 12) .....                                               | 0                     | 0                      |

| <b>Part III Funding Percentages</b>                                                                                                                                        |           |         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|---------|
| <b>14</b> Funding target attainment percentage .....                                                                                                                       | <b>14</b> | 89.60 % |
| <b>15</b> Adjusted funding target attainment percentage .....                                                                                                              | <b>15</b> | 89.60 % |
| <b>16</b> Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement ..... | <b>16</b> | 94.10 % |
| <b>17</b> If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage .....                                        | <b>17</b> | %       |

| <b>Part IV Contributions and Liquidity Shortfalls</b>                                    |                                   |                                 |                          |                                   |                                 |
|------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------|--------------------------|-----------------------------------|---------------------------------|
| <b>18</b> Contributions made to the plan for the plan year by employer(s) and employees: |                                   |                                 |                          |                                   |                                 |
| (a) Date<br>(MM-DD-YYYY)                                                                 | (b) Amount paid by<br>employer(s) | (c) Amount paid by<br>employees | (a) Date<br>(MM-DD-YYYY) | (b) Amount paid by<br>employer(s) | (c) Amount paid by<br>employees |
| 04/12/2013                                                                               | 350000                            |                                 |                          |                                   |                                 |
| 07/12/2013                                                                               | 350000                            |                                 |                          |                                   |                                 |
| 10/11/2013                                                                               | 350000                            |                                 |                          |                                   |                                 |
| 01/15/2014                                                                               | 350000                            |                                 |                          |                                   |                                 |
| 09/12/2014                                                                               | 485000                            |                                 |                          |                                   |                                 |
|                                                                                          |                                   |                                 | <b>Totals ►</b>          | <b>18(b)</b>                      | 1885000                         |
|                                                                                          |                                   |                                 |                          | <b>18(c)</b>                      | 0                               |

|                                                                                                                                                                                             |            |         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------|
| <b>19</b> Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:                                                        |            |         |
| <b>a</b> Contributions allocated toward unpaid minimum required contributions from prior years .....                                                                                        | <b>19a</b> | 0       |
| <b>b</b> Contributions made to avoid restrictions adjusted to valuation date .....                                                                                                          | <b>19b</b> | 0       |
| <b>c</b> Contributions allocated toward minimum required contribution for current year adjusted to valuation date .....                                                                     | <b>19c</b> | 1782925 |
| <b>20</b> Quarterly contributions and liquidity shortfalls:                                                                                                                                 |            |         |
| <b>a</b> Did the plan have a "funding shortfall" for the prior year? ..... <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No                                              |            |         |
| <b>b</b> If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ..... <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |            |         |
| <b>c</b> If line 20a is "Yes," see instructions and complete the following table as applicable:                                                                                             |            |         |

| Liquidity shortfall as of end of quarter of this plan year |         |         |         |
|------------------------------------------------------------|---------|---------|---------|
| (1) 1st                                                    | (2) 2nd | (3) 3rd | (4) 4th |
| 0                                                          | 0       | 0       | 0       |

**Part V Assumptions Used to Determine Funding Target and Target Normal Cost**

|                                                                                                                                                                                              |                       |                       |                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------------------------------------|
| <b>21</b> Discount rate:                                                                                                                                                                     |                       |                       |                                                     |
| <b>a</b> Segment rates:                                                                                                                                                                      | 1st segment:<br>4.94% | 2nd segment:<br>6.15% | 3rd segment:<br>6.76 %                              |
|                                                                                                                                                                                              |                       |                       | <input type="checkbox"/> N/A, full yield curve used |
| <b>b</b> Applicable month (enter code).....                                                                                                                                                  |                       |                       | <b>21b</b> 4                                        |
| <b>22</b> Weighted average retirement age .....                                                                                                                                              |                       |                       | <b>22</b> 66                                        |
| <b>23</b> Mortality table(s) (see instructions) <input type="checkbox"/> Prescribed - combined <input checked="" type="checkbox"/> Prescribed - separate <input type="checkbox"/> Substitute |                       |                       |                                                     |

**Part VI Miscellaneous Items**

|                                                                                                                                                                        |                                                                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| <b>24</b> Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment. .... | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <b>25</b> Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment. ....                                      | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| <b>26</b> Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment. ....                            | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <b>27</b> If the plan is subject to alternative funding rules, enter applicable code and see instructions regarding attachment. ....                                   | <b>27</b>                                                           |

**Part VII Reconciliation of Unpaid Minimum Required Contributions For Prior Years**

|                                                                                                                                     |           |   |
|-------------------------------------------------------------------------------------------------------------------------------------|-----------|---|
| <b>28</b> Unpaid minimum required contributions for all prior years .....                                                           | <b>28</b> | 0 |
| <b>29</b> Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a)..... | <b>29</b> | 0 |
| <b>30</b> Remaining amount of unpaid minimum required contributions (line 28 minus line 29) .....                                   | <b>30</b> | 0 |

**Part VIII Minimum Required Contribution For Current Year**

|                                                                                                                                                                                      |                   |                     |               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------|---------------|
| <b>31</b> Target normal cost and excess assets (see instructions):                                                                                                                   |                   |                     |               |
| <b>a</b> Target normal cost (line 6).....                                                                                                                                            |                   | <b>31a</b>          | 835180        |
| <b>b</b> Excess assets, if applicable, but not greater than line 31a .....                                                                                                           |                   | <b>31b</b>          | 0             |
| <b>32</b> Amortization installments:                                                                                                                                                 |                   | Outstanding Balance | Installment   |
| <b>a</b> Net shortfall amortization installment.....                                                                                                                                 |                   | 3158204             | 944913        |
| <b>b</b> Waiver amortization installment .....                                                                                                                                       |                   | 0                   | 0             |
| <b>33</b> If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount ..... |                   | <b>33</b>           |               |
| <b>34</b> Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)...                                                            |                   | <b>34</b>           | 1780093       |
|                                                                                                                                                                                      | Carryover balance | Prefunding balance  | Total balance |
| <b>35</b> Balances elected for use to offset funding requirement.....                                                                                                                | 0                 | 0                   | 0             |
| <b>36</b> Additional cash requirement (line 34 minus line 35).....                                                                                                                   | <b>36</b>         |                     | 1780093       |
| <b>37</b> Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c).....                                                   | <b>37</b>         |                     | 1782925       |
| <b>38</b> Present value of excess contributions for current year (see instructions)                                                                                                  |                   |                     |               |
| <b>a</b> Total (excess, if any, of line 37 over line 36) .....                                                                                                                       |                   | <b>38a</b>          | 2832          |
| <b>b</b> Portion included in line 38a attributable to use of prefunding and funding standard carryover balances .....                                                                |                   | <b>38b</b>          | 0             |
| <b>39</b> Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37) .....                                                                      |                   | <b>39</b>           | 0             |
| <b>40</b> Unpaid minimum required contributions for all years .....                                                                                                                  |                   | <b>40</b>           | 0             |

**Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)**

|                                                                                                |           |                                                                                                                         |  |
|------------------------------------------------------------------------------------------------|-----------|-------------------------------------------------------------------------------------------------------------------------|--|
| <b>41</b> If an election was made to use PRA 2010 funding relief for this plan:                |           |                                                                                                                         |  |
| <b>a</b> Schedule elected .....                                                                |           | <input type="checkbox"/> 2 plus 7 years <input type="checkbox"/> 15 years                                               |  |
| <b>b</b> Eligible plan year(s) for which the election in line 41a was made .....               |           | <input type="checkbox"/> 2008 <input type="checkbox"/> 2009 <input type="checkbox"/> 2010 <input type="checkbox"/> 2011 |  |
| <b>42</b> Amount of acceleration adjustment .....                                              | <b>42</b> |                                                                                                                         |  |
| <b>43</b> Excess installment acceleration amount to be carried over to future plan years ..... | <b>43</b> |                                                                                                                         |  |



**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)

**Part II Information on Participating Plans (to be completed by DFEs)**

(Complete as many entries as needed to report all participating plans)

**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN

|                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                              |                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| <b>SCHEDULE H</b><br><b>(Form 5500)</b><br><br><small>Department of the Treasury<br/>Internal Revenue Service</small><br><br><small>Department of Labor<br/>Employee Benefits Security Administration</small><br><br><small>Pension Benefit Guaranty Corporation</small> | <b>Financial Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).<br><br><b>► File as an attachment to Form 5500.</b> | <small>OMB No. 1210-0110</small><br><br><b>2013</b><br><br><b>This Form is Open to Public Inspection</b> |
| For calendar plan year 2013 or fiscal plan year beginning <u>01/01/2013</u> and ending <u>12/31/2013</u>                                                                                                                                                                 |                                                                                                                                                                                                                                                                              |                                                                                                          |
| <b>A</b> Name of plan<br><u>XYLEM BELL &amp; GOSSETT PENSION PLAN FOR HOURLY EMPLOYEES</u>                                                                                                                                                                               |                                                                                                                                                                                                                                                                              | <b>B</b> Three-digit plan number (PN) <span style="float: right;">►</span> <u>028</u>                    |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><u>XYLEM INC.</u>                                                                                                                                                                                       |                                                                                                                                                                                                                                                                              | <b>D</b> Employer Identification Number (EIN)<br><br><u>45-2080495</u>                                   |

| Part I                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Asset and Liability Statement |                       |                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------|-----------------|
| <b>1</b> Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. <b>Round off amounts to the nearest dollar.</b> MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions. |                               |                       |                 |
| Assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                               | (a) Beginning of Year | (b) End of Year |
| <b>a</b> Total noninterest-bearing cash .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>1a</b>                     |                       |                 |
| <b>b</b> Receivables (less allowance for doubtful accounts):                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                               |                       |                 |
| <b>(1)</b> Employer contributions.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>1b(1)</b>                  | 459000                | 835000          |
| <b>(2)</b> Participant contributions .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>1b(2)</b>                  |                       |                 |
| <b>(3)</b> Other.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>1b(3)</b>                  |                       |                 |
| <b>c</b> General investments:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |                       |                 |
| <b>(1)</b> Interest-bearing cash (include money market accounts & certificates of deposit).....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>1c(1)</b>                  |                       |                 |
| <b>(2)</b> U.S. Government securities .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>1c(2)</b>                  |                       |                 |
| <b>(3)</b> Corporate debt instruments (other than employer securities):                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                               |                       |                 |
| <b>(A)</b> Preferred .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>1c(3)(A)</b>               |                       |                 |
| <b>(B)</b> All other .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>1c(3)(B)</b>               |                       |                 |
| <b>(4)</b> Corporate stocks (other than employer securities):                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |                       |                 |
| <b>(A)</b> Preferred .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>1c(4)(A)</b>               |                       |                 |
| <b>(B)</b> Common.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>1c(4)(B)</b>               |                       |                 |
| <b>(5)</b> Partnership/joint venture interests .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>1c(5)</b>                  |                       |                 |
| <b>(6)</b> Real estate (other than employer real property).....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>1c(6)</b>                  |                       |                 |
| <b>(7)</b> Loans (other than to participants) .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>1c(7)</b>                  |                       |                 |
| <b>(8)</b> Participant loans.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>1c(8)</b>                  |                       |                 |
| <b>(9)</b> Value of interest in common/collective trusts .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>1c(9)</b>                  |                       |                 |
| <b>(10)</b> Value of interest in pooled separate accounts .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>1c(10)</b>                 |                       |                 |
| <b>(11)</b> Value of interest in master trust investment accounts .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>1c(11)</b>                 | 26636745              | 29396333        |
| <b>(12)</b> Value of interest in 103-12 investment entities.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>1c(12)</b>                 |                       |                 |
| <b>(13)</b> Value of interest in registered investment companies (e.g., mutual funds).....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>1c(13)</b>                 |                       |                 |
| <b>(14)</b> Value of funds held in insurance company general account (unallocated contracts).....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>1c(14)</b>                 |                       |                 |
| <b>(15)</b> Other.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>1c(15)</b>                 |                       |                 |

|                                                                      |              | (a) Beginning of Year | (b) End of Year |
|----------------------------------------------------------------------|--------------|-----------------------|-----------------|
| <b>1d</b> Employer-related investments:                              |              |                       |                 |
| (1) Employer securities .....                                        | <b>1d(1)</b> |                       |                 |
| (2) Employer real property .....                                     | <b>1d(2)</b> |                       |                 |
| <b>e</b> Buildings and other property used in plan operation .....   | <b>1e</b>    |                       |                 |
| <b>f</b> Total assets (add all amounts in lines 1a through 1e) ..... | <b>1f</b>    | 27095745              | 30231333        |

**Liabilities**

|                                                                           |           |       |       |
|---------------------------------------------------------------------------|-----------|-------|-------|
| <b>g</b> Benefit claims payable .....                                     | <b>1g</b> |       |       |
| <b>h</b> Operating payables .....                                         | <b>1h</b> | 73853 | 33845 |
| <b>i</b> Acquisition indebtedness .....                                   | <b>1i</b> |       |       |
| <b>j</b> Other liabilities .....                                          | <b>1j</b> |       |       |
| <b>k</b> Total liabilities (add all amounts in lines 1g through 1j) ..... | <b>1k</b> | 73853 | 33845 |

**Net Assets**

|                                                           |           |          |          |
|-----------------------------------------------------------|-----------|----------|----------|
| <b>l</b> Net assets (subtract line 1k from line 1f) ..... | <b>1l</b> | 27021892 | 30197488 |
|-----------------------------------------------------------|-----------|----------|----------|

**Part II Income and Expense Statement**

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

**Income**

|                                                                                                            |                 | (a) Amount | (b) Total |
|------------------------------------------------------------------------------------------------------------|-----------------|------------|-----------|
| <b>a</b> Contributions:                                                                                    |                 |            |           |
| (1) Received or receivable in cash from: <b>(A)</b> Employers .....                                        | <b>2a(1)(A)</b> | 1885000    |           |
| <b>(B)</b> Participants .....                                                                              | <b>2a(1)(B)</b> |            |           |
| <b>(C)</b> Others (including rollovers) .....                                                              | <b>2a(1)(C)</b> | 20013      |           |
| (2) Noncash contributions .....                                                                            | <b>2a(2)</b>    |            |           |
| (3) Total contributions. Add lines <b>2a(1)(A)</b> , <b>(B)</b> , <b>(C)</b> , and line <b>2a(2)</b> ..... | <b>2a(3)</b>    |            | 1905013   |
| <b>b</b> Earnings on investments:                                                                          |                 |            |           |
| (1) Interest:                                                                                              |                 |            |           |
| <b>(A)</b> Interest-bearing cash (including money market accounts and certificates of deposit) .....       | <b>2b(1)(A)</b> |            |           |
| <b>(B)</b> U.S. Government securities .....                                                                | <b>2b(1)(B)</b> |            |           |
| <b>(C)</b> Corporate debt instruments .....                                                                | <b>2b(1)(C)</b> |            |           |
| <b>(D)</b> Loans (other than to participants) .....                                                        | <b>2b(1)(D)</b> |            |           |
| <b>(E)</b> Participant loans .....                                                                         | <b>2b(1)(E)</b> |            |           |
| <b>(F)</b> Other .....                                                                                     | <b>2b(1)(F)</b> |            |           |
| (G) Total interest. Add lines <b>2b(1)(A)</b> through <b>(F)</b> .....                                     | <b>2b(1)(G)</b> |            | 0         |
| (2) Dividends: <b>(A)</b> Preferred stock .....                                                            | <b>2b(2)(A)</b> |            |           |
| <b>(B)</b> Common stock .....                                                                              | <b>2b(2)(B)</b> |            |           |
| <b>(C)</b> Registered investment company shares (e.g. mutual funds) .....                                  | <b>2b(2)(C)</b> |            |           |
| (D) Total dividends. Add lines <b>2b(2)(A)</b> , <b>(B)</b> , and <b>(C)</b> .....                         | <b>2b(2)(D)</b> |            | 0         |
| (3) Rents .....                                                                                            | <b>2b(3)</b>    |            |           |
| (4) Net gain (loss) on sale of assets: <b>(A)</b> Aggregate proceeds .....                                 | <b>2b(4)(A)</b> |            |           |
| <b>(B)</b> Aggregate carrying amount (see instructions) .....                                              | <b>2b(4)(B)</b> |            |           |
| <b>(C)</b> Subtract line <b>2b(4)(B)</b> from line <b>2b(4)(A)</b> and enter result .....                  | <b>2b(4)(C)</b> |            | 0         |
| (5) Unrealized appreciation (depreciation) of assets: <b>(A)</b> Real estate .....                         | <b>2b(5)(A)</b> |            |           |
| <b>(B)</b> Other .....                                                                                     | <b>2b(5)(B)</b> |            |           |
| (C) Total unrealized appreciation of assets. Add lines <b>2b(5)(A)</b> and <b>(B)</b> .....                | <b>2b(5)(C)</b> |            | 0         |

|                                                                                                 |        | (a) Amount | (b) Total |
|-------------------------------------------------------------------------------------------------|--------|------------|-----------|
| (6) Net investment gain (loss) from common/collective trusts .....                              | 2b(6)  |            |           |
| (7) Net investment gain (loss) from pooled separate accounts .....                              | 2b(7)  |            |           |
| (8) Net investment gain (loss) from master trust investment accounts .....                      | 2b(8)  |            | 3168661   |
| (9) Net investment gain (loss) from 103-12 investment entities .....                            | 2b(9)  |            |           |
| (10) Net investment gain (loss) from registered investment companies (e.g., mutual funds) ..... | 2b(10) |            |           |
| c Other income .....                                                                            | 2c     |            |           |
| d Total income. Add all <b>income</b> amounts in column (b) and enter total .....               | 2d     |            | 5073674   |

**Expenses**

|                                                                                      |       |         |         |
|--------------------------------------------------------------------------------------|-------|---------|---------|
| e Benefit payment and payments to provide benefits:                                  |       |         |         |
| (1) Directly to participants or beneficiaries, including direct rollovers .....      | 2e(1) | 1898078 |         |
| (2) To insurance carriers for the provision of benefits .....                        | 2e(2) |         |         |
| (3) Other .....                                                                      | 2e(3) |         |         |
| (4) Total benefit payments. Add lines 2e(1) through (3) .....                        | 2e(4) |         | 1898078 |
| f Corrective distributions (see instructions) .....                                  | 2f    |         |         |
| g Certain deemed distributions of participant loans (see instructions) .....         | 2g    |         |         |
| h Interest expense .....                                                             | 2h    |         |         |
| i Administrative expenses: (1) Professional fees .....                               | 2i(1) |         |         |
| (2) Contract administrator fees .....                                                | 2i(2) |         |         |
| (3) Investment advisory and management fees .....                                    | 2i(3) |         |         |
| (4) Other .....                                                                      | 2i(4) |         |         |
| (5) Total administrative expenses. Add lines 2i(1) through (4) .....                 | 2i(5) |         | 0       |
| j Total expenses. Add all <b>expense</b> amounts in column (b) and enter total ..... | 2j    |         | 1898078 |

**Net Income and Reconciliation**

|                                                          |       |  |         |
|----------------------------------------------------------|-------|--|---------|
| k Net income (loss). Subtract line 2j from line 2d ..... | 2k    |  | 3175596 |
| l Transfers of assets:                                   |       |  |         |
| (1) To this plan .....                                   | 2l(1) |  |         |
| (2) From this plan .....                                 | 2l(2) |  |         |

**Part III Accountant's Opinion**

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

**b** Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)?

☒ Yes ☐ No

**c** Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: CROWE HORWATH LLP

(2) EIN: 35-0921680

**d** The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

**Part IV Compliance Questions**

**4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

**a** Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.) .....

**b** Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.) .....

|    | Yes | No | Amount |
|----|-----|----|--------|
| 4a |     | X  |        |
| 4b |     | X  |        |

|                                                                                                                                                                                                                               | Yes | No | Amount   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|----------|
| <b>c</b> Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.) .....                                          |     | X  |          |
| <b>d</b> Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.) .....                               |     | X  |          |
| <b>e</b> Was this plan covered by a fidelity bond? .....                                                                                                                                                                      | X   |    | 15000000 |
| <b>f</b> Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? .....                                                                                       |     | X  |          |
| <b>g</b> Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser? .....                                                    |     | X  |          |
| <b>h</b> Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser? .....                                          |     | X  |          |
| <b>i</b> Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.) .....                                                                |     | X  |          |
| <b>j</b> Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.) ..... |     | X  |          |
| <b>k</b> Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? .....                                                           |     | X  |          |
| <b>l</b> Has the plan failed to provide any benefit when due under the plan? .....                                                                                                                                            |     | X  |          |
| <b>m</b> If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.) .....                                                                                                  |     | X  |          |
| <b>n</b> If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3. ....                                      |     |    |          |

**5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?  
 If "Yes," enter the amount of any plan assets that reverted to the employer this year. .... ☐ Yes ☒ No Amount:

**5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

| 5b(1) Name of plan(s) | 5b(2) EIN(s) | 5b(3) PN(s) |
|-----------------------|--------------|-------------|
|                       |              |             |
|                       |              |             |
|                       |              |             |
|                       |              |             |

**5c** If the plan is a defined benefit plan, is it covered under the PBGC insurance program (see ERISA section 4021)? .... ☒ Yes ☐ No ☐ Not determined

## Part V Trust Information (optional)

|                         |                       |
|-------------------------|-----------------------|
| <b>6a</b> Name of trust | <b>6b</b> Trust's EIN |
|                         |                       |

|                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                            |                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <b>SCHEDULE R</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Retirement Plan Information</b><br><br>This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).<br><br>▶ <b>File as an attachment to Form 5500.</b> | OMB No. 1210-0110<br><br><b>2013</b><br><br><b>This Form is Open to Public Inspection.</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|

For calendar plan year 2013 or fiscal plan year beginning 01/01/2013 and ending 12/31/2013

|                                                                                            |                                                                    |
|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| <b>A</b> Name of plan<br><u>XYLEM BELL &amp; GOSSETT PENSION PLAN FOR HOURLY EMPLOYEES</u> | <b>B</b> Three-digit plan number (PN) ▶<br><u>028</u>              |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><u>XYLEM INC.</u>         | <b>D</b> Employer Identification Number (EIN)<br><u>45-2080495</u> |

|               |                      |
|---------------|----------------------|
| <b>Part I</b> | <b>Distributions</b> |
|---------------|----------------------|

All references to distributions relate only to payments of benefits during the plan year.

|                                                                                                                                                                                                                                                                    |          |          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|
| <b>1</b> Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....                                                                                                                              | <b>1</b> | <u>0</u> |
| <b>2</b> Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):<br><br>EIN(s): <u>36-1561860</u> |          |          |
| <b>Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.</b>                                                                                                                                                                                            |          |          |
| <b>3</b> Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....                                                                                                                                    | <b>3</b> | <u>0</u> |

|                |                                                                                                                                                                              |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part II</b> | <b>Funding Information</b> (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part) |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                                                                                                                                                                                                           |                              |                                        |                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------------------|-----------------------------------------|
| <b>4</b> Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....                                                                                                                                                                                                                                                       | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | <input type="checkbox"/> N/A            |
| <b>If the plan is a defined benefit plan, go to line 8.</b>                                                                                                                                                                                                                                                                                                               |                              |                                        |                                         |
| <b>5</b> If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. <b>Date:</b> Month _____ Day _____ Year _____<br><b>If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.</b> |                              |                                        |                                         |
| <b>6 a</b> Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived).....                                                                                                                                                                                                                             | <b>6a</b>                    |                                        |                                         |
| <b>b</b> Enter the amount contributed by the employer to the plan for this plan year.....                                                                                                                                                                                                                                                                                 | <b>6b</b>                    |                                        |                                         |
| <b>c</b> Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount) .....                                                                                                                                                                                                                          | <b>6c</b>                    |                                        |                                         |
| <b>If you completed line 6c, skip lines 8 and 9.</b>                                                                                                                                                                                                                                                                                                                      |                              |                                        |                                         |
| <b>7</b> Will the minimum funding amount reported on line 6c be met by the funding deadline?.....                                                                                                                                                                                                                                                                         | <input type="checkbox"/> Yes | <input type="checkbox"/> No            | <input type="checkbox"/> N/A            |
| <b>8</b> If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....                                                                                                | <input type="checkbox"/> Yes | <input type="checkbox"/> No            | <input checked="" type="checkbox"/> N/A |

|                 |                   |
|-----------------|-------------------|
| <b>Part III</b> | <b>Amendments</b> |
|-----------------|-------------------|

|                                                                                                                                                                                                                            |                                   |                                   |                               |                                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|----------------------------------------|
| <b>9</b> If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box..... | <input type="checkbox"/> Increase | <input type="checkbox"/> Decrease | <input type="checkbox"/> Both | <input checked="" type="checkbox"/> No |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|----------------------------------------|

|                |                                                                                                                                                   |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part IV</b> | <b>ESOPs</b> (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part. |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                             |                              |                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|
| <b>10</b> Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? .....                                                     | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>11 a</b> Does the ESOP hold any preferred stock? .....                                                                                                                                   | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>b</b> If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)..... | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>12</b> Does the ESOP hold any stock that is not readily tradable on an established securities market? .....                                                                              | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

**Part V Additional Information for Multiemployer Defined Benefit Pension Plans**

**13** Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

|                                                                          |            |  |
|--------------------------------------------------------------------------|------------|--|
| <b>a</b> The current year .....                                          | <b>14a</b> |  |
| <b>b</b> The plan year immediately preceding the current plan year ..... | <b>14b</b> |  |
| <b>c</b> The second preceding plan year .....                            | <b>14c</b> |  |

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

|                                                                                                       |            |  |
|-------------------------------------------------------------------------------------------------------|------------|--|
| <b>a</b> The corresponding number for the plan year immediately preceding the current plan year ..... | <b>15a</b> |  |
| <b>b</b> The corresponding number for the second preceding plan year .....                            | <b>15b</b> |  |

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

|                                                                                                                                                                        |            |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--|
| <b>a</b> Enter the number of employers who withdrew during the preceding plan year .....                                                                               | <b>16a</b> |  |
| <b>b</b> If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers ..... | <b>16b</b> |  |

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. .... ☐

**Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans**

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment .... ☐

- 19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

**a** Enter the percentage of plan assets held as:  
 Stock: 0.0% Investment-Grade Debt: \_\_\_\_\_% High-Yield Debt: \_\_\_\_\_% Real Estate: \_\_\_\_\_% Other: \_\_\_\_\_%

**b** Provide the average duration of the combined investment-grade and high-yield debt:  
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

**c** What duration measure was used to calculate line 19(b)?  
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): \_\_\_\_\_

# Xylem Bell & Gossett Pension Plan for Hourly Employees (formerly ITT Bell & Gossett Hydronics Pension Plan for Hourly Employees)

Financial Statements as of December 31, 2013 and 2012,  
and for the Years Ended December 31, 2013 and 2012,  
and Independent Auditor's Report

**XYLEM BELL & GOSSETT PENSION PLAN FOR HOURLY EMPLOYEES**  
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Note: All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

## INDEPENDENT AUDITOR'S REPORT

Benefits Administration Committee  
Xylem Bell & Gossett Pension Plan for Hourly Employees  
(formerly the ITT Bell & Gossett Hydronics Pension Plan for Hourly Employees)  
Rye Brook, New York

### **Report on the Financial Statements**

We were engaged to audit the accompanying financial statements of the Xylem Bell & Gossett Pension Plan for Hourly Employees (formerly the ITT Bell & Gossett Hydronics Pension Plan for Hourly Employees), which comprise the statements of net assets available for benefits as of December 31, 2013 and 2012, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### ***Basis for Disclaimer of Opinion***

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by The Northern Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained certifications from the trustee as of December 31, 2013 and 2012 and for the years then ended that the information provided to the plan administrator by the trustee is complete and accurate.

### ***Disclaimer of Opinion***

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

**Report on Form and Content in Compliance with DOL Rules and Regulations**

The form and content of the information included in the financial statements, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

*Crowe Horwath LLP*

Crowe Horwath LLP

New York, New York  
September 30, 2014

**XYLEM BELL & GOSSETT PENSION PLAN FOR HOURLY EMPLOYEES**  
**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

| December 31,                                                 | 2013                        | 2012                        |
|--------------------------------------------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>                                                |                             |                             |
| Investments - at fair value:                                 |                             |                             |
| Plan's interest in the Investment Master Trust of Xylem Inc. | <b>\$ 29,396,333</b>        | \$ 26,636,745               |
| Employer contribution receivable                             | <b>835,000</b>              | 459,000                     |
| <b>Total assets</b>                                          | <b><u>30,231,333</u></b>    | <u>27,095,745</u>           |
| <b>LIABILITIES</b>                                           |                             |                             |
| Accrued administrative expenses                              | <b><u>33,845</u></b>        | <u>73,853</u>               |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b>                     | <b><u>\$ 30,197,488</u></b> | <b><u>\$ 27,021,892</u></b> |

See accompanying notes to financial statements.

**XYLEM BELL & GOSSETT PENSION PLAN FOR HOURLY EMPLOYEES**  
**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

Years Ended December 31,

|                                                                                       | 2013                 | 2012                 |
|---------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>ADDITIONS</b>                                                                      |                      |                      |
| Plan's interest in the investment income of the Investment Master Trust of Xylem Inc. | \$ 3,344,621         | \$ 2,753,793         |
| Employer contributions                                                                | 1,885,000            | 1,089,000            |
| Other additions                                                                       | 20,013               | —                    |
| Total additions                                                                       | <u>5,249,634</u>     | <u>3,842,793</u>     |
| <b>DEDUCTIONS</b>                                                                     |                      |                      |
| Benefits paid to participants                                                         | 1,898,078            | 1,854,789            |
| Administrative expenses                                                               | 175,960              | 214,348              |
| Total deductions                                                                      | <u>2,074,038</u>     | <u>2,069,137</u>     |
| <b>NET INCREASE IN ASSETS AVAILABLE FOR BENEFITS</b>                                  | <b>3,175,596</b>     | <b>1,773,656</b>     |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b>                                              |                      |                      |
| Beginning of year                                                                     | 27,021,892           | 25,248,236           |
| End of year                                                                           | <u>\$ 30,197,488</u> | <u>\$ 27,021,892</u> |

See accompanying notes to financial statements.

**XYLEM BELL & GOSSETT PENSION PLAN FOR HOURLY EMPLOYEES**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1. Description of the Plan**

The following description of the Xylem Bell & Gossett Pension Plan for Hourly Employees (formerly ITT Bell & Gossett Hydronics Pension Plan for Hourly Employees) (the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

**General** - The Plan is a defined benefit pension plan covering the hourly employees of Local 890 of the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America located at the Morton Grove facility, Illinois of Fluid Handling, LLC ("Employer"), a subsidiary of Xylem Inc. (the "Company" or "Plan Sponsor"). The Benefits Administration Committee, as appointed by the Board of Directors of the Company, controls and manages the operation and administration of the Plan, while the Pension Fund Trust and Investment Committee directs the managers of the Plan's investments. The Northern Trust Company (the "Trustee") serves as the trustee of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

The Plan was established January 1, 1965 by ITT Corporation as the ITT Bell & Gossett Hydronics Pension Plan for Hourly Employees. Effective October 31, 2011, as part of the spin-off from ITT Corporation, sponsorship of the Plan was transferred to the Company. Effective January 1, 2012, the Plan was renamed Xylem Bell & Gossett Pension Plan for Hourly Employees.

The Plan's assets include an undivided interest in an investment account of the Investment Master Trust of Xylem Inc. ("Master Trust"), EIN 37-6491099, as of and for the years ended December 31, 2013 and 2012. The Master Trust includes the combined assets of the Plan as well as several other employee benefit plans sponsored by the Company and its subsidiaries (collectively the "Participating Plans").

Use of the Master Trust permits the commingling of Plan assets with the assets of other Participating Plans for investment and administrative purposes. Although Plan assets are commingled in the Master Trust, the Trustee maintains supporting records for the purpose of allocating the net income or losses of the Master Trust to the Participating Plans. The net investment income or losses of the investment account is allocated by the Trustee to each Participating Plan based on the relationship of the interest of each Participating Plan to the total of the interests of the Participating Plans. A schedule of Master Trust assets has been filed with the U.S. Department of Labor and includes the Plan's proportionate share of such assets at December 31, 2013 and 2012.

**Eligibility** - All Employer hourly employees of Local 890 of the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America located at the Morton Grove facility, Illinois are eligible to participate upon the attainment of the earlier of (i) the date the employee completes three years of continuous service; or (ii) the date the employee completes one year of continuous service and reaches age 21, whichever is later.

**Contributions** - Contributions to provide benefits under the Plan are made solely by the Company, and charged to the Employer. See Note 5 for the Company's funding policy.

**Pension Benefits** - Participants are eligible for monthly benefit payments upon reaching age 65. The normal monthly benefit payments are determined by multiplication of a benefit rate, which depends upon the period of credited service by the total number of years of credited service, not to exceed 45 years. A participant is 100% vested after five years of service. Prior to that time, the participant is not vested.

Participants are eligible to receive early retirement benefits between the ages of 55 and 65, upon completion of five years of credited service. Early retirement benefits are computed in a manner similar to normal

retirement at age 65, except that they are reduced by certain factors, as outlined in the Plan document, for each month that the early retirement date precedes the normal retirement date.

**Death and Disability Benefits** - A married participant who is a vested participant is automatically covered by the pre-retirement death benefit option, which will provide a benefit for the surviving spouse upon death prior to retirement, unless coverage is waived. The benefit would be equal to the benefit the spouse would have received had the employee retired on the date of death, computed under the normal form of payment and subject to certain limitations as outlined in the Plan document.

A participant, who has attained age 50, has completed 15 years of continuous service and who becomes totally and permanently disabled is eligible to receive a disability retirement benefit. The amount of the benefit is computed, as it would be for normal retirement based on the participant's years of credited service as of the date of disability.

**Administrative and Investment Management Expenses** - Administrative expenses of the Plan, including actuarial services, audit fees and regulatory fees are paid by the Master Trust on behalf of the Plan, as provided in the Plan document and the Master Trust agreement. Certain accounting and other administrative services are provided to the Plan and Master Trust at no charge. These services are performed by employees of the Company or Employer and no such employee receives compensation from the Plan.

Investment management fees are charged to the Plan as a reduction of investment return and included in the investment income or losses reported by the Plan.

## **Note 2. Summary of Significant Accounting Policies**

**Basis of Accounting** - The financial statements of the Plan are prepared under the accrual basis of accounting.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures, and actual results may differ from these estimates.

**Risks and Uncertainties** - The Plan's interest in the Master Trust includes investments in mutual funds, exchange traded notes, collective trusts and limited partnerships. Investments, in general, are exposed to various risks, such as interest rate risk, credit risk, liquidity risk, and overall market volatility. Due to the level of risk associated with certain Plan investments, it is at least reasonably possible that changes in the values of certain Plan investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**Investment Valuation and Income Recognition** - The Plan's interest in the Master Trust is reported at fair value which has been determined based on the fair value of the underlying investments of the Master Trust. A more detailed description of the individual types of investments can be found in Note 4.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

**Payment of Benefits** - Benefit payments to participants are recorded upon distribution.

### **Note 3. Investments - Unaudited Information**

The Northern Trust Company, trustee of the Plan, holds investment assets and executes transactions therein, and substantially all information pertaining to the Plan's investments included in the financial statements has been certified by them. This information has not been audited by independent accountants.

The following table presents investments that represent 5% or more of the Plan's net assets available for benefits.

|                                                       | 2013          | 2012          |
|-------------------------------------------------------|---------------|---------------|
| Investments at fair value:                            |               |               |
| Interest in the Investment Master Trust of Xylem Inc. | \$ 29,396,333 | \$ 26,636,745 |

During 2013 and 2012, the Plan's net investment income in the Master Trust (including gains and losses on investments bought and sold, as well as held during the year and interest and dividend income) was \$3,344,621 and \$2,753,793, respectively.

### **Note 4. Fair Value Measurement**

Fair value is the price that would be received by the Plan for an asset or paid by the Plan to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date in the Plan's principal or most advantageous market for the asset or liability. Fair value measurements are determined by maximizing the use of observable inputs and minimizing the use of unobservable inputs. Observable inputs may include quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), then to quoted market prices for similar assets or liabilities in active markets (Level 2) and gives the lowest priority to unobservable inputs (Level 3). Assets are classified in their entirety, based on the lowest level of input that is significant to the fair value measurement.

The Plan's policy is to recognize significant transfers between levels at the beginning of the reporting period. There were no significant transfers between Level 1 and Level 2 during 2013 and 2012.

The fair value of the Plan's interest in the Master Trust reflects the Plan's interest in the fair value of the underlying net assets of the Master Trust. The following descriptions of the valuation methodologies and assumptions are used by the Plan to estimate the fair values of investments held as underlying investments of the Master Trust:

- *Cash and Other* - Cash investments are money market commingled trust vehicles which are valued by Net Asset Value ("NAV"), and are classified within Level 1 of the fair value hierarchy.
- *Mutual Funds* - Mutual funds are publicly traded in active markets and valued at the closing price reported on those major markets on the measurement date. Generally, fair value is measured at NAV. Mutual funds are classified within Level 1 of the fair value hierarchy.
- *Exchange Traded Notes ("ETNs")* - ETNs are senior, unsecured, unsubordinated debt securities issued by an underwriting bank. ETNs have a maturity date and are backed only by the creditor of the issuer. Returns of ETNs are usually linked to the performance of a market benchmark or strategy. ETNs

are valued at the closing price reported in the exchange in which the ETNs are traded. ETNs are classified within Level 1 of the fair value hierarchy.

- *Collective Trusts ("CTs")* - CTs are arrangements in which the funds of individual trusts are pooled to avail themselves of professional investment management and achieve greater diversification of investment, stability of income or other investment objectives. CTs invest in debt and equity securities, the mix of which varies by fund, and report NAV as of the measurement date. Fair value is estimated based on the NAV practical expedient method. The practical expedient enables an entity holding investments in certain entities that calculate NAV per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share or its equivalent without adjustment. There are no unfunded commitments related to the CTs and investments in CTs can be redeemed on a daily basis. CTs are classified within Level 2 of the fair value hierarchy.
- *Limited Partnerships* - A Limited Partner is the investor in the fund that does not take on more risk than the amount of their initial investment in the fund. The Limited Partners have limited liability in the partnership structure while General Partners, who have management control over the fund, are liable for the debt obligations. The fair value of the Limited Partnerships is based on information from the fund manager which reflects the Plan's share of the fair value of the net assets. The investments are valued using quoted market prices of the underlying holdings or those of securities with similar characteristics furnished by the Limited Partnerships' prime broker(s), market makers and/or independent third party pricing services. Limited Partnerships are classified within Level 2 of the fair value hierarchy.

While the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

During February 2013, the Master Trust made fund changes, adding nine new funds and eliminating three. The fund changes were designed to better diversify the Plan's investment options with funds having stronger historical performance, while minimizing investment and administrative fees.

The following table sets forth by level within the fair value hierarchy a summary of the Master Trust investments measured at fair value at December 31, 2013:

|                                                 | Active Markets for<br>Identical Assets<br>(Level 1) | Other Observable<br>Inputs (Level 2) * | Significant<br>Unobservable<br>Inputs (Level 3) | Total         |
|-------------------------------------------------|-----------------------------------------------------|----------------------------------------|-------------------------------------------------|---------------|
| Cash                                            | \$ 704,219                                          | \$ —                                   | \$ —                                            | \$ 704,219    |
| Mutual funds                                    |                                                     |                                        |                                                 |               |
| Western Asset Core Plus Bond Fund               | 11,632,911                                          | —                                      | —                                               | 11,632,911    |
| DFA Emerging Markets Value Portfolio            | 3,502,915                                           | —                                      | —                                               | 3,502,915     |
| Ironbridge SMID Cap Fund                        | 3,933,841                                           | —                                      | —                                               | 3,933,841     |
| Exchange traded notes                           |                                                     |                                        |                                                 |               |
| JPM Alerian MLP Index ETN                       | 3,981,002                                           | —                                      | —                                               | 3,981,002     |
| Collective trusts                               |                                                     |                                        |                                                 |               |
| EAFE Index Fund (a)                             | —                                                   | 8,098,038                              | —                                               | 8,098,038     |
| TIPS Index Fund (b)                             | —                                                   | 2,300,119                              | —                                               | 2,300,119     |
| Long-Term Govt Bond Index Fund (c)              | —                                                   | 2,263,829                              | —                                               | 2,263,829     |
| Russell 1000 Index Fund (d)                     | —                                                   | 14,028,700                             | —                                               | 14,028,700    |
| Highclere International Investors SMID Fund (e) | —                                                   | 3,502,123                              | —                                               | 3,502,123     |
| Limited partnerships                            |                                                     |                                        |                                                 |               |
| MacKay Shields High Yield Active Core Fund (f)  | —                                                   | 3,704,722                              | —                                               | 3,704,722     |
| Totals                                          | \$ 23,754,888                                       | \$ 33,897,531                          | \$ —                                            | \$ 57,652,419 |

The following table sets forth by level within the fair value hierarchy a summary of the Master Trust investments measured at fair value at December 31, 2012:

|                                | Active Markets for<br>Identical Assets<br>(Level 1) | Other Observable<br>Inputs (Level 2) * | Significant<br>Unobservable<br>Inputs (Level 3) | Total         |
|--------------------------------|-----------------------------------------------------|----------------------------------------|-------------------------------------------------|---------------|
| Cash                           | \$ 3,347,906                                        | \$ —                                   | \$ —                                            | \$ 3,347,906  |
| Collective trusts              |                                                     |                                        |                                                 |               |
| EAFE Index Fund (a)            | —                                                   | 9,590,949                              | —                                               | 9,590,949     |
| MSCI Emerging Markets Fund (g) | —                                                   | 4,711,567                              | —                                               | 4,711,567     |
| Russell 3000 Index Fund (h)    | —                                                   | 17,607,948                             | —                                               | 17,607,948    |
| Aggregate Bond Index Fund (i)  | —                                                   | 15,673,439                             | —                                               | 15,673,439    |
| Totals                         | \$ 3,347,906                                        | \$ 47,583,903                          | \$ —                                            | \$ 50,931,809 |

\* For the Master Trust's investments at December 31, 2013 and 2012 where fair value is estimated based on NAV, the redemption notice period is trade date plus one day, the redemption frequency is daily, except as noted below, and there are no unfunded commitments.

- a) The primary objective of the Northern Trust EAFE Index Fund is to approximate the risk and return characterized by the Morgan Stanley Europe, Australasia, and Far East (MSCI EAFE) Index. This index is commonly used to represent the non U.S. equity markets. The fund may make limited use of futures and/or options for the purpose of maintaining equity exposure.
- b) The primary objective of the Northern Trust TIPS Index Fund is to hold a portfolio representative of the Treasury inflation-protected securities ("TIPS") sector of the United States bond and debt market, as characterized by the Barclays U.S. TIPS Index.
- c) The primary objective of the Northern Trust Long-Term Govt Bond Index Fund is to hold a portfolio representative of the U.S. Long-Term Government Bond sector of the United States bond and debt market, as characterized by the Barclays U.S. Long-Term Government Bond Index.
- d) The primary objective of the Northern Trust Russell 1000 Index Fund is to approximate the risk and return characterized by the Russell 1000 Index. This index is commonly used to represent large cap U.S. equities.
- e) The primary objective of the Highclere International Investors SMID Fund is to invest in high-quality securities purchased at a reasonable price in the small and SMID cap international equity universe. The fund purchases companies with upside potential of 50% over 2-3 years. The fund has a 10 day notice requirement for redemption and an anti-dilution charge estimated to be between 45 and 90 basis points.
- f) The primary objective of the MacKay Shields High Yield Active Core Fund is to invest primarily in U.S. below-investment grade corporate debt (high yield bonds) and add value by avoiding "uncompensated risk"; the product aims to avoid the "losers" while restraining itself from chasing the supposed "winners" in an up market. The fund has a 30 day notice requirement for redemption.
- g) The primary objective of the Northern Trust MSCI Emerging Markets Fund, a collective fund for qualified plans, is to provide investment results that replicate the overall performance of the MSCI Emerging Markets Index. The fund may make limited use of common stocks of one or more companies included in the index, on the sole basis of computer-generated statistical data, deemed representative of the industry diversification of the entire index.
- h) The primary objective of the Northern Trust Russell 3000 Index Fund is to approximate the risk and return characterized by the Russell 3000 Index. This Index is commonly used to represent the broad U.S. equity market.
- i) The primary objective of the Northern Trust Aggregate Bond Index Fund is to provide investment results that approximate the overall performance of the Barclay's Capital U.S. Aggregate Index. The fund may hold units of participation in any fixed income collective fund established and maintained by the Trustee or any of its affiliates. The fund may make limited use of interest rate futures and/or options for the purpose of maintaining market exposure.

## **Note 5. Funding Policy**

Contributions to provide benefits under the Plan are made solely by the Company, and charged to the Employer. Funding requirements under Internal Revenue Service ("IRS") rules are a major consideration in making contributions to the Plan. The Company's funding policy is to make cash contributions to the Plan not less than the minimum required by applicable law and regulations. While the Company has significant discretion in making voluntary contributions, ERISA, including subsequent amendments, and applicable Internal Revenue Code ("IRC") regulations mandate minimum funding thresholds. The Company continually monitors the funded status and minimum funding requirements.

Interest, dividends and cumulative net appreciation (depreciation) of investments of the Plan serve to reduce future contributions that would otherwise be required to provide for the defined level of benefits under the Plan document. The Company's contributions are adjusted to reflect differences between actual contributions in prior years and the amounts required under the Company's current funding policy to meet the minimum funding requirements of ERISA. The Company met the minimum funding requirements for the years ended December 31, 2013 and 2012.

## **Note 6. Actuarial Present Value of Accumulated Plan Benefits**

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to service rendered by participants as of the valuation date. Accumulated plan benefits include benefits expected to be paid to: (1) retired or terminated participants, (2) beneficiaries of participants who have died, and (3) present participants or their beneficiaries. The actuarial present value of accumulated plan benefits is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

The actuarial present value of accumulated plan benefits as of December 31, 2012 is as follows:

**Vested accumulated plan benefits:**

|                                                                        |                   |
|------------------------------------------------------------------------|-------------------|
| Retired participants and/or beneficiaries currently receiving benefits | \$ 15,128,104     |
| Other participants                                                     | 10,487,482        |
| Total vested accumulated plan benefits                                 | <u>25,615,586</u> |

|                                                            |                      |
|------------------------------------------------------------|----------------------|
| Nonvested accumulated plan benefits                        | 482,299              |
| Total actuarial present value of accumulated plan benefits | <u>\$ 26,097,885</u> |

The changes in the actuarial present value of the Plan's accumulated plan benefits for the year ended December 31, 2012, are as follows:

|                                                                          |                      |
|--------------------------------------------------------------------------|----------------------|
| Actuarial present value of accumulated plan benefits - December 31, 2011 | \$ 25,494,163        |
| Increase (decrease) during the year attributable to:                     |                      |
| Benefits accumulated and (gains) losses                                  | 446,085              |
| Benefits paid                                                            | (1,854,789)          |
| Interest                                                                 | 1,966,769            |
| Assumption changes                                                       | 45,657               |
| Actuarial present value of accumulated plan benefits - December 31, 2012 | <u>\$ 26,097,885</u> |

The significant actuarial assumptions used in the December 31, 2012 valuations were:

- **Mortality:** The mortality assumption was updated according to the projection specified in IRS Regulation 1.430(h)(3)-1, applied on a static basis, projected 7 years from the valuation date for annuitants and 15 years for non-annuitants. A special mortality table is used for the period after disability.
- **Retirement age:** Retirement rates from 2.03% at age 55 to 100.00% at age 70.
- **Long-term rate of return** was 8.0% per annum.

The increase to the actuarial present value of accumulated plan benefits due to assumption changes was attributed to the mortality assumption and updates in the interest rate basis to the current rates, as specified in IRS Regulations, as well as an update to plan related expenses.

Actuarial assumptions for the period before normal retirement include factors for mortality, termination of employment, early retirement and disability.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

**Note 7. Interest in Master Trust - Unaudited**

The following table presents the Plan's interest in investments of the Master Trust at December 31, 2013 and 2012:

|                                                                                 | 2013                 | 2012                 |
|---------------------------------------------------------------------------------|----------------------|----------------------|
| Investments at estimated fair value:                                            |                      |                      |
| Cash and other                                                                  | \$ 704,219           | \$ 3,347,906         |
| Mutual funds                                                                    | 19,069,667           | —                    |
| Exchange traded notes                                                           | 3,981,002            | —                    |
| Collective trusts                                                               | 30,192,809           | 47,583,903           |
| Limited partnerships                                                            | 3,704,722            | —                    |
| Investments in the Master Trust                                                 | <u>\$ 57,652,419</u> | <u>\$ 50,931,809</u> |
| Plan's interest in investments of the Master Trust                              | <u>\$ 29,396,333</u> | <u>\$ 26,636,745</u> |
| Plan's interest in investments of the Master Trust as a percentage of the total | <u>50.99 %</u>       | <u>52.30 %</u>       |

The net investment income of the Master Trust for the years ended December 31, 2013 and 2012, are summarized below:

|                                                       | 2013                | 2012                |
|-------------------------------------------------------|---------------------|---------------------|
| Investment income in the Master Trust:                |                     |                     |
| Net appreciation in fair value of investments:        |                     |                     |
| Mutual funds                                          | \$ 42,935           | \$ —                |
| Exchange traded notes                                 | 281,015             | —                   |
| Collective trusts                                     | 5,544,655           | 5,293,312           |
| Limited partnerships                                  | 204,722             | —                   |
| Dividends                                             | 347,823             | —                   |
| Interest income                                       | 338,065             | 6,849               |
| Fees & expenses                                       | (260,314)           | (161,323)           |
| Net investment income in the Master Trust             | <u>\$ 6,498,901</u> | <u>\$ 5,138,838</u> |
| Plan's interest in the Master Trust investment income | <u>\$ 3,344,621</u> | <u>\$ 2,753,793</u> |

The Master Trust's investments that represented 5% or more of the Master Trust's net assets available for benefits as of December 31, 2013 and 2012 are as follows:

|                                             | 2013       | 2012       |
|---------------------------------------------|------------|------------|
| Master Trust:                               |            |            |
| Russell 1000 Index Fund                     | 14,028,700 | —          |
| Western Asset Core Plus Bond Fund           | 11,632,911 | —          |
| EAFE Index Fund                             | 8,098,038  | 9,590,949  |
| JPM Alerian MLP Index ETN                   | 3,981,002  | —          |
| Ironbridge SMID Cap Fund                    | 3,933,841  | —          |
| MacKay Shields High Yield Active Core Fund  | 3,704,722  | —          |
| DFA Emerging Markets Value Portfolio        | 3,502,915  | —          |
| Highclere International Investors SMID Fund | 3,502,123  | —          |
| Russell 3000 Index Fund                     | —          | 17,607,948 |
| Aggregate Bond Index Fund                   | —          | 15,673,439 |
| MSCI Emerging Markets Fund                  | —          | 4,711,567  |
| Cash                                        | *          | 3,347,906  |

\* Represents less than 5% of Plan assets.

#### Note 8. Exempt Party-In-Interest Transactions

Parties in interest are defined by Department of Labor regulations as any fiduciary of the Plan, any party rendering service to the Plan, the employer, and certain others. Amounts paid by the Plan to parties in interest included fees paid for investment management and actuarial services. Certain professional fees for the administration of the Plan were paid by the Company. The Master Trust holds a portion of its investments in collective trusts managed by the Trustee of the Plan and Master Trust. These assets and related transactions qualify as exempt party-in-interest transactions.

These transactions are not deemed prohibited party-in-interest transactions because they are covered by statutory or administrative exemptions from the IRC and ERISA rules on prohibited transactions.

#### Note 9. Plan Termination

Although it has not expressed any intention to do so, the Company has the right under the Plan, in certain circumstances, to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA. In the event that the Plan is terminated, the net assets of the Plan will be allocated for payment of plan benefits to the participants in an order of priority determined in accordance with ERISA, applicable regulations there under and the Plan document.

Certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation ("PBGC") if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination, subject to a statutory ceiling on the amount of an individual's monthly benefit.

Whether all participants receive their benefits should the Plan be terminated at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide those benefits, the priority of those benefits

to be paid and the level and type of benefits guaranteed by the PBGC at that time. Some benefits may be fully or partially provided for by the existing assets and the PBGC guaranty while other benefits may not be provided for at all.

#### **Note 10. Federal Income Tax Status**

The IRS has determined and informed the Company by a letter dated February 10, 2012, that the Plan and related trust are designed in accordance with the applicable sections of the IRC. The Plan has been amended since receiving the determination letter; however, the plan administrator believes that the Plan is currently designed and is currently being operated in compliance with the applicable requirements of the IRC and the Plan and related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2010.

#### **Note 11. Subsequent Events**

Plan management has evaluated subsequent events for recognition and disclosure through September 30, 2014, which is the date the financial statements were available to be issued. No significant events were noted.

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**Xylem Bell & Gossett Pension Plan for Hourly Employees**

**EIN / PN: 45-2080495 / 028**

**Schedule SB, Line 26 - Schedule of Active Participant Data<sup>1</sup>**

| AGE      | CREDITED SERVICE |       |       |         |         |         |         |         |         |     | Total |
|----------|------------------|-------|-------|---------|---------|---------|---------|---------|---------|-----|-------|
|          | Under 1          | 1 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30 - 34 | 35 - 39 | 40+ |       |
| Under 25 | 0                | 1     | 0     | 0       | 0       | 0       | 0       | 0       | 0       | 0   | 1     |
| 25 - 29  | 0                | 5     | 1     | 0       | 0       | 0       | 0       | 0       | 0       | 0   | 6     |
| 30 - 34  | 0                | 8     | 3     | 0       | 0       | 0       | 0       | 0       | 0       | 0   | 11    |
| 35 - 39  | 0                | 6     | 0     | 5       | 2       | 0       | 0       | 0       | 0       | 0   | 13    |
| 40 - 44  | 0                | 1     | 4     | 6       | 6       | 1       | 0       | 0       | 0       | 0   | 18    |
| 45 - 49  | 0                | 4     | 4     | 11      | 6       | 6       | 2       | 0       | 0       | 0   | 33    |
| 50 - 54  | 0                | 7     | 11    | 13      | 14      | 6       | 4       | 2       | 1       | 0   | 58    |
| 55 - 59  | 0                | 6     | 17    | 10      | 25      | 9       | 8       | 7       | 7       | 0   | 89    |
| 60 - 64  | 0                | 2     | 15    | 11      | 17      | 11      | 9       | 2       | 6       | 5   | 78    |
| 65 - 69  | 0                | 0     | 6     | 3       | 5       | 1       | 0       | 0       | 1       | 0   | 16    |
| 70+      | 0                | 0     | 0     | 2       | 1       | 1       | 0       | 0       | 0       | 0   | 4     |
| Total    | 0                | 40    | 61    | 61      | 76      | 35      | 23      | 11      | 15      | 5   | 327   |

<sup>1</sup> Includes participants on leave of absence.

# **Xylem Bell & Gossett Pension Plan for Hourly Employees**

**EIN/PN: 45-2080495 / 028**

## **Schedule SB, Part V – Statement of Actuarial Assumptions/Methods**

### ***Prescribed Funding Assumptions and Methods***

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#### **Funding interest rates**

|               |                                          |       |
|---------------|------------------------------------------|-------|
| Current Year: | Segment Rates with four month lookahead: |       |
|               | First Segment Rate                       | 1.75% |
|               | Second Segment Rate                      | 4.62% |
|               | Third Segment Rate                       | 5.72% |

In accordance with MAP-21, the first, second and third Segment Rates are constrained to an 85%-115% Corridor around the average Segment Rates for the 25-year period ending September 30, 2012, or 4.94%, 6.15% and 6.76%, respectively for minimum funding and benefit restrictions but not maximum tax-deductible purposes.

|                         |       |
|-------------------------|-------|
| Effective Interest Rate | 6.28% |
|-------------------------|-------|

|             |                                          |       |
|-------------|------------------------------------------|-------|
| Prior Year: | Segment Rates with four month lookahead: |       |
|             | First Segment Rate                       | 2.06% |
|             | Second Segment Rate                      | 5.25% |
|             | Third Segment Rate                       | 6.32% |

In accordance with MAP-21, the first, second and third Segment Rates are constrained to a 90%-110% Corridor around the average Segment Rates for the 25-year period ending September 30, 2011, or 5.54%, 6.85% and 7.52%, respectively for minimum funding and benefit restrictions but not maximum tax-deductible purposes.

|                         |       |
|-------------------------|-------|
| Effective Interest Rate | 6.98% |
|-------------------------|-------|

#### **Mortality**

Non-annuitants and healthy annuitants:

Mortality tables mandated by PPA as specified in IRS Regulation 1.430(h)(3)-1, applied on a static basis, projected 7 years from the valuation date for annuitants and 15 years for non-annuitants.

Disabled annuitants:

Revenue Ruling 96-7 disabled mortality table for males and females.

#### **Actuarial cost method**

The Funding Target is the present value of accrued benefits and based on compensation and service to date. The Target Normal Cost is the present value of benefits expected to be accrued during the current plan year, reflecting the effect of expected compensation increases during the year and including expected plan related expenses to be paid from plan assets during the year.

**Xylem Bell & Gossett Pension Plan for Hourly Employees**

**EIN/PN: 45-2080495 / 028**

**Schedule SB, Part V – Statement of Actuarial Assumptions/Methods (Continued)**

***Non-Prescribed Funding Assumptions and Methods***

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**Expenses**

Expected plan related expenses of \$203,421 were added to the Target Normal Cost.

**Frequency of optional payment forms**

70% of future retirees and terminations are assumed to take a life annuity. Those future retirees who are assumed not to take a life annuity are assumed to take a Joint and Survivor 50%, 75%, or 100% Option with equal probability. Those terminations who are assumed not to take a life annuity are assumed to take a Joint and Survivor 50% or 75% Option with equal probability.

**Marital percentage**

85% of participants are assumed to be married at death. Husbands are assumed to be 3 years older than their wives.

**Mortality table**

The mortality table is applied on a static basis. Separate annuitant and non-annuitant tables were used.

**Retirement rates**

| Age | Assumption |
|-----|------------|
| 55  | 2.03%      |
| 56  | 2.05%      |
| 57  | 2.07%      |
| 58  | 2.14%      |
| 59  | 2.19%      |
| 60  | 2.30%      |
| 61  | 2.37%      |
| 62  | 2.59%      |
| 63  | 2.83%      |
| 64  | 3.07%      |
| 65  | 50.00%     |
| 66  | 30.00%     |
| 67  | 30.00%     |
| 68  | 30.00%     |
| 69  | 30.00%     |
| 70  | 100.00%    |

Terminated vested participants are assumed to retire at age 60.

## **Xylem Bell & Gossett Pension Plan for Hourly Employees**

**EIN/PN: 45-2080495 / 028**

### **Schedule SB, Part V – Statement of Actuarial Assumptions/Methods (Continued)**

#### **Disability rates**

| <b>Age</b> | <b>Rates</b> |
|------------|--------------|
| 25         | 0.03%        |
| 30         | 0.03%        |
| 35         | 0.03%        |
| 40         | 0.04%        |
| 45         | 0.08%        |
| 50         | 0.21%        |
| 55         | 0.45%        |
| 60         | 1.01%        |
| 65         | 0.00%        |

#### **Withdrawal rates<sup>1</sup>**

| <b>Age</b> | <b>Rates</b> |
|------------|--------------|
| 25         | 8.36%        |
| 30         | 6.30%        |
| 35         | 4.77%        |
| 40         | 3.76%        |
| 45         | 3.00%        |
| 50         | 2.35%        |
| 55         | 2.03%        |
| 60         | 2.30%        |
| 65         | 0.00%        |

The rates shown are the ultimate withdrawal rates for participants with 3 or more years of service. For ages 45 or less, the rates for the first, second, and third year of employment are the above multiplied by 1.838 plus 0.0343, 1.393 plus 0.0056 and 1.240 minus 0.0046, respectively.

#### **Asset valuation method**

The Actuarial Value of Assets is Market Value as of the valuation date, including discounted receivable contributions, reduced by 2/3 and 1/3 of the of the gain/(loss) in the prior 2 years, respectively. The gain/(loss) for each period is determined as the actual return on Market Value during the period less the expected return on Market Value based on an assumed earnings rate chosen by the actuary but required by PPA to be not greater than the applicable third segment rate. The resulting value is constrained to be within a corridor of 90% to 110% of Market Value, including discounted receivable contributions.

The expected return on plan assets is 8.00% per annum for 2012 and 9.00% per annum for 2011, limited by PPA to the applicable Third Segment Rate as follows:

|                          |       |
|--------------------------|-------|
| 2012 measurement period: | 7.52% |
| 2011 measurement period: | 6.57% |

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<sup>1</sup> For active participants not eligible for retirement.

**SCHEDULE SB  
(Form 5500)**Department of the Treasury  
Internal Revenue ServiceDepartment of Labor  
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

**Single-Employer Defined Benefit Plan  
Actuarial Information**

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).

▶ File as an attachment to Form 5500 or 5500-SF.

OMB No. 1210-0110

**2013****This Form Is Open to Public  
Inspection**

For calendar plan year 2013 or fiscal plan year beginning 01/01/2013 and ending 12/31/2013

▶ Round off amounts to nearest dollar.

▶ Caution: A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

|                                                                                                                                           |  |                                                                                                                                                         |     |
|-------------------------------------------------------------------------------------------------------------------------------------------|--|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| <b>A</b> Name of plan<br>XYLEM BELL & GOSSETT PENSION PLAN FOR HOURLY EMPLOYEES                                                           |  | <b>B</b> Three-digit plan number (PN) ▶                                                                                                                 | 028 |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF<br>XYLEM INC.                                                    |  | <b>D</b> Employer Identification Number (EIN)<br>45-2080495                                                                                             |     |
| <b>E</b> Type of plan: <input checked="" type="checkbox"/> Single <input type="checkbox"/> Multiple-A <input type="checkbox"/> Multiple-B |  | <b>F</b> Prior year plan size: <input type="checkbox"/> 100 or fewer <input type="checkbox"/> 101-500 <input checked="" type="checkbox"/> More than 500 |     |

**Part I Basic Information**

|                                                                                                                                                                                                                 |              |                            |                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|----------------------------|--------------------|
| <b>1</b> Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2013</u>                                                                                                                               |              |                            |                    |
| <b>2</b> Assets:                                                                                                                                                                                                |              |                            |                    |
| <b>a</b> Market value .....                                                                                                                                                                                     |              | <b>2a</b>                  | 27088378           |
| <b>b</b> Actuarial value .....                                                                                                                                                                                  |              | <b>2b</b>                  | 27230481           |
| <b>3</b> Funding target/participant count breakdown:                                                                                                                                                            |              |                            |                    |
|                                                                                                                                                                                                                 |              | (1) Number of participants | (2) Funding Target |
| <b>a</b> For retired participants and beneficiaries receiving payment .....                                                                                                                                     | <b>3a</b>    | 385                        | 17204207           |
| <b>b</b> For terminated vested participants .....                                                                                                                                                               | <b>3b</b>    | 95                         | 1539857            |
| <b>c</b> For active participants:                                                                                                                                                                               |              |                            |                    |
| (1) Non-vested benefits .....                                                                                                                                                                                   | <b>3c(1)</b> |                            | 248653             |
| (2) Vested benefits .....                                                                                                                                                                                       | <b>3c(2)</b> |                            | 11395968           |
| (3) Total active .....                                                                                                                                                                                          | <b>3c(3)</b> | 327                        | 11644621           |
| <b>d</b> Total .....                                                                                                                                                                                            | <b>3d</b>    | 807                        | 30388685           |
| <b>4</b> If the plan is in at-risk status, check the box and complete lines (a) and (b)..... <input type="checkbox"/>                                                                                           |              |                            |                    |
| <b>a</b> Funding target disregarding prescribed at-risk assumptions .....                                                                                                                                       |              | <b>4a</b>                  |                    |
| <b>b</b> Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor ..... |              | <b>4b</b>                  |                    |
| <b>5</b> Effective interest rate .....                                                                                                                                                                          |              | <b>5</b>                   | 6.28%              |
| <b>6</b> Target normal cost .....                                                                                                                                                                               |              | <b>6</b>                   | 835180             |

**Statement by Enrolled Actuary**

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

|                               |                                                                                     |                                        |
|-------------------------------|-------------------------------------------------------------------------------------|----------------------------------------|
| <b>SIGN<br/>HERE</b>          |  | <u>9/23/2014</u>                       |
| SUZANNE HUGHES                |                                                                                     | Date                                   |
| Type or print name of actuary |                                                                                     | 1407118                                |
| BUCK CONSULTANTS, LLC         |                                                                                     | Most recent enrollment number          |
| Firm name                     |                                                                                     | 201-902-2615                           |
| 500 PLAZA DRIVE               |                                                                                     | Telephone number (including area code) |
| SECAUCUS NJ 07096-1533        |                                                                                     |                                        |
| Address of the firm           |                                                                                     |                                        |

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2013



**Part V Assumptions Used to Determine Funding Target and Target Normal Cost****21** Discount rate:**a** Segment rates:1st segment:  
4.94%2nd segment:  
6.15%3rd segment:  
6.76%☐ N/A, full yield curve used**b** Applicable month (enter code).....**21b**

4

**22** Weighted average retirement age .....**22**

66

**23** Mortality table(s) (see instructions) ☐ Prescribed - combined☒ Prescribed - separate☐ Substitute**Part VI Miscellaneous Items****24** Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment. .... ☒ Yes ☐ No**25** Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment. .... ☐ Yes ☒ No**26** Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment. .... ☒ Yes ☐ No**27** If the plan is subject to alternative funding rules, enter applicable code and see instructions regarding attachment. ....**27****Part VII Reconciliation of Unpaid Minimum Required Contributions For Prior Years****28** Unpaid minimum required contributions for all prior years ..... **28** 0**29** Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a)..... **29** 0**30** Remaining amount of unpaid minimum required contributions (line 28 minus line 29) ..... **30** 0**Part VIII Minimum Required Contribution For Current Year****31** Target normal cost and excess assets (see instructions):**a** Target normal cost (line 6)..... **31a** 835180**b** Excess assets, if applicable, but not greater than line 31a ..... **31b** 0**32** Amortization installments:**a** Net shortfall amortization installment..... Outstanding Balance 3158204 Installment 944913**b** Waiver amortization installment ..... 0 0**33** If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_) and the waived amount ..... **33****34** Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)..... **34** 1780093

|                                                                       | Carryover balance | Prefunding balance | Total balance |
|-----------------------------------------------------------------------|-------------------|--------------------|---------------|
| <b>35</b> Balances elected for use to offset funding requirement..... | 0                 | 0                  | 0             |

**36** Additional cash requirement (line 34 minus line 35)..... **36** 1780093**37** Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)..... **37** 1782925**38** Present value of excess contributions for current year (see instructions)**a** Total (excess, if any, of line 37 over line 36) ..... **38a** 2832**b** Portion included in line 38a attributable to use of prefunding and funding standard carryover balances ..... **38b** 0**39** Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37) ..... **39** 0**40** Unpaid minimum required contributions for all years ..... **40** 0**Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)****41** If an election was made to use PRA 2010 funding relief for this plan:**a** Schedule elected ..... ☐ 2 plus 7 years ☐ 15 years**b** Eligible plan year(s) for which the election in line 41a was made ..... ☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011**42** Amount of acceleration adjustment ..... **42****43** Excess installment acceleration amount to be carried over to future plan years ..... **43**

# Xylem Bell & Gossett Pension Plan for Hourly Employees

EIN / PN: 45-2080495 / 028

## Schedule SB, Line 22 - Description of Weighted Average Retirement Age

This table calculates the weighted average retirement age for all active persons in the plan

| (1)<br>Age                                                 | (2)<br>Expected Active<br>Headcount | (3)<br>Retirement<br>Rate | (4)<br>Expected<br>Retirements<br>(2)*(3) | (5)<br>Weighted Age<br>(1)*(4) |
|------------------------------------------------------------|-------------------------------------|---------------------------|-------------------------------------------|--------------------------------|
| 55                                                         | 114.56                              | 0.0203                    | 2.33                                      | 127.90                         |
| 56                                                         | 136.51                              | 0.0205                    | 2.80                                      | 156.71                         |
| 57                                                         | 146.72                              | 0.0207                    | 3.04                                      | 173.12                         |
| 58                                                         | 162.46                              | 0.0214                    | 3.48                                      | 201.64                         |
| 59                                                         | 175.41                              | 0.0219                    | 3.84                                      | 226.64                         |
| 60                                                         | 185.59                              | 0.0230                    | 4.27                                      | 256.12                         |
| 61                                                         | 202.86                              | 0.0237                    | 4.81                                      | 293.28                         |
| 62                                                         | 208.88                              | 0.0259                    | 5.41                                      | 335.42                         |
| 63                                                         | 213.65                              | 0.0283                    | 6.05                                      | 380.91                         |
| 64                                                         | 213.04                              | 0.0307                    | 6.54                                      | 418.58                         |
| 65                                                         | 210.23                              | 0.5000                    | 105.11                                    | 6,832.44                       |
| 66                                                         | 106.04                              | 0.3000                    | 31.81                                     | 2,099.65                       |
| 67                                                         | 79.64                               | 0.3000                    | 23.89                                     | 1,600.72                       |
| 68                                                         | 59.27                               | 0.3000                    | 17.78                                     | 1,209.20                       |
| 69                                                         | 42.13                               | 0.3000                    | 12.64                                     | 872.10                         |
| 70                                                         | 30.22                               | 1.0000                    | 30.22                                     | 2,115.52                       |
| 71                                                         | 0.00                                | 1.0000                    | 0.00                                      | 0.00                           |
| 72                                                         | 1.00                                | 1.0000                    | 1.00                                      | 72.00                          |
| 73                                                         | 0.00                                | 1.0000                    | 0.00                                      | 0.00                           |
| 74                                                         | 1.00                                | 1.0000                    | 1.00                                      | 74.00                          |
| 75                                                         | 1.00                                | 1.0000                    | <u>1.00</u>                               | <u>75.00</u>                   |
| <b>Total</b>                                               |                                     |                           | <b>267.01</b>                             | <b>17,520.96</b>               |
| <b>Weighted Average Retirement Age = 17520.96 / 267.01</b> |                                     |                           |                                           | <b>65.62</b>                   |
| <b>Rounded Weighted Average Retirement Age</b>             |                                     |                           |                                           | <b>66</b>                      |

**Note to Column 2:** The Expected Active Headcount for each age includes persons who are eligible to retire and persons who are not eligible to retire at each age.

**Note to Column 3:** At each age, these retirement rates are a weighted average of the rates shown in Attachment to Part V for active participants eligible to retire at the age and zero for all other active participants.

## **Xylem Bell & Gossett Pension Plan for Hourly Employees**

**EIN/PN: 45-2080495 / 028**

### **Schedule SB, Part V – Summary of Plan Provisions**

#### **Effective Date**

January 1, 1965.

#### **Eligibility for Participation**

First day of month following attainment of age 21 and completion of 1 year of service.

#### **Actuarial equivalent**

The determination of actuarially equivalent annuity benefits is based on the mortality table 1974 GBB and interest at 6.5% per annum.

#### **Normal Retirement Pension**

##### *Eligibility*

Age 65.

##### *Basic Monthly Benefit*

| <b>Last Day of Employment</b> | <b>Benefit Unit Per Year of Service</b> |
|-------------------------------|-----------------------------------------|
| Before 1/1/11                 | \$30.00 for all Credited Service        |
| 1/1/11 – 12/31/11             | \$32.00 for all Credited Service        |
| 1/1/12 – 12/31/12             | \$32.50 for all Credited Service        |
| 1/1/13 – 12/31/13             | \$33.00 for all Credited Service        |
| 1/1/14 – 12/31/14             | \$33.50 for all Credited Service        |
| 1/1/15 and thereafter         | \$34.00 for all Credited Service        |

The total years of Credited Service shall be those years immediately preceding date of retirement and shall not exceed:

| <b>Last Day of Employment</b> | <b>Years of Service</b> |
|-------------------------------|-------------------------|
| Before 1/1/01                 | 35                      |
| 1/1/01 – 12/31/05             | 40                      |
| 1/1/06 – 12/31/06             | 41                      |
| 1/1/07 – 12/31/07             | 42                      |
| 1/1/08 – 12/31/08             | 43                      |
| 1/1/09 – 12/31/09             | 44                      |
| 1/1/10 and thereafter         | 45                      |

## **Xylem Bell & Gossett Pension Plan for Hourly Employees**

**EIN/PN: 45-2080495 / 028**

### **Schedule SB, Part V – Summary of Plan Provisions (Continued)**

#### **Early Retirement Pension**

##### *Eligibility*

Age 55.

##### *Benefit*

Accrued pension deferred to age 65, or immediate pension equal to accrued pension reduced by 1/15th for each of the first 5 years by which commencement precedes normal retirement date and by 1/30th for each of the next 5 years.

#### **Disability Retirement Pension**

##### *Eligibility*

Total and permanent disability after age 50 and 15 years of service.

##### *Benefit*

Accrued pension payable immediately.

#### **Deferred Vested Pension**

##### *Eligibility*

5 years of service.

##### *Benefit*

Accrued pension deferred to age 65, or reduced pension after age 55. Reduction same as for early retirement.

#### **Spouse's Benefit**

##### *Eligibility*

Death after becoming eligible for a vested benefit. Benefit commences no earlier than earliest retirement date that could have been elected by deceased participant.

##### *Benefit*

Accrued benefit at time of death, adjusted as if participant had retired on date payments to spouse commence under joint and 50% survivorship option, and then died. For a terminated vested participant there is a charge for each year coverage is in effect after the termination date. Coverage for which a charge is made may be waived with consent of the spouse.

**Xylem Bell & Gossett Pension Plan for Hourly Employees**

**EIN/PN: 45-2080495 / 028**

**Schedule SB, Part V – Summary of Plan Provisions (Continued)**

**Normal Form of Benefit**

*Single*

Life annuity.

*Married*

Reduced 50% joint and survivorship annuity.

**Optional Forms of Benefit**

- (1) Life annuity.
- (2) 50% joint and survivorship annuity.
- (3) 75% joint and survivorship annuity.
- (4) 100% joint and survivorship annuity (N/A for terminations).
- (5) Social Security level income option.

**Contributions**

Noncontributory.

**Xylem Bell & Gossett Pension Plan for Hourly Employees**

**EIN / PN: 45-2080495 / 028**

**Schedule SB, Line 32 - Schedule of Amortization Bases**

| Type of Base | Present Value of<br>Remaining Installments<br>as of January 1, 2013 | Date Established | Remaining<br>Installments | Shortfall<br>Amortization<br>Installment |
|--------------|---------------------------------------------------------------------|------------------|---------------------------|------------------------------------------|
| Shortfall    | \$2,098,342                                                         | 1/1/2013         | 7                         | \$350,197                                |
| Shortfall    | (\$2,772,088)                                                       | 1/1/2012         | 6                         | (\$523,738)                              |
| Shortfall    | \$1,101,304                                                         | 1/1/2011         | 5                         | \$241,997                                |
| Shortfall    | \$960,770                                                           | 1/1/2010         | 4                         | \$257,834                                |
| Shortfall    | \$1,769,876                                                         | 1/1/2009         | 3                         | \$618,623                                |

**Xylem Bell & Gossett Hydronics Pension Plan for Hourly Employees**

**EIN/PN: 45-2080495 / 028**

**Schedule SB, line 24 – Change in Actuarial Assumptions**

The expected plan related expenses added to the Target Normal Cost were updated from \$227,419 to \$203,421.