

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan 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). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 <div style="text-align: center; font-size: 1.5em; font-weight: bold;">2014</div> This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2014 or fiscal plan year beginning <u>01/01/2014</u> and ending <u>12/31/2014</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions); or ☒ a single-employer plan; ☐ a DFE (specify) _____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☒
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information				
1a Name of plan XYLEM PENSION PLAN FOR BARGAINING UNIT EMPLOYEES-AUBURN	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;">003</td> </tr> <tr> <td colspan="2">1c Effective date of plan 01/01/2012</td> </tr> </table>	1b Three-digit plan number (PN) ▶	003	1c Effective date of plan 01/01/2012	
1b Three-digit plan number (PN) ▶	003				
1c Effective date of plan 01/01/2012					
2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan) XYLEM INC. 1 INTERNATIONAL DRIVE RYE BROOK, NY 10573	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) 45-2080495</td> </tr> <tr> <td>2c Plan Sponsor's telephone number 914-323-5700</td> </tr> <tr> <td>2d Business code (see instructions) 333200</td> </tr> </table>	2b Employer Identification Number (EIN) 45-2080495	2c Plan Sponsor's telephone number 914-323-5700	2d Business code (see instructions) 333200	
2b Employer Identification Number (EIN) 45-2080495					
2c Plan Sponsor's telephone number 914-323-5700					
2d Business code (see instructions) 333200					

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.

SIGN HERE	Filed with authorized/valid electronic signature.	10/08/2015	DAWN DERUE
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	10/14/2015	JOHN P. CONNOLLY
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	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)

3a Plan administrator's name and address ☐ Same as Plan Sponsor ADMINISTRATION COMMITTEE FOR XYLEM GOULDS AUBURN RETIREMENT PLANS 1 INTERNATIONAL DRIVE RYE BROOK, NY 10573	3b Administrator's EIN 47-4505996
	3c Administrator's telephone number 914-323-5700
4 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: a Sponsor's name	4b EIN 4c PN
5 Total number of participants at the beginning of the plan year	5 189
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d).	
a(1) Total number of active participants at the beginning of the plan year	6a(1) 182
a(2) Total number of active participants at the end of the plan year	6a(2) 170
b Retired or separated participants receiving benefits	6b 13
c Other retired or separated participants entitled to future benefits.....	6c 8
d Subtotal. Add lines 6a(2) , 6b , and 6c	6d 191
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.	6e 0
f Total. Add lines 6d and 6e	6f 191
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	6g
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h 2
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....	7
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 1A 3H	
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:	
9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)	
a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☒ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ A (Insurance Information) (4) ☐ C (Service Provider Information) (5) ☒ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)

Part III**Form M-1 Compliance Information (to be completed by welfare benefit plans)**

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2014 Form M-1 annual report. If the plan was not required to file the 2014 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

<div>SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation</div>	<div>Single-Employer Defined Benefit Plan Actuarial Information</div> <div>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).</div> <div>File as an attachment to Form 5500 or 5500-SF.</div>	<div>OMB No. 1210-0110</div> <div>2014</div> <div>This Form is Open to Public Inspection</div>
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For calendar plan year 2014 or fiscal plan year beginning 01/01/2014 and ending 12/31/2014	
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.	
A Name of plan XYLEM PENSION PLAN FOR BARGAINING UNIT EMPLOYEES-AUBURN	B Three-digit plan number (PN) 003
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF XYLEM INC.	D Employer Identification Number (EIN) 45-2080495
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I	Basic Information			
1	Enter the valuation date: Month 01 Day 01 Year 2014			
2	Assets:			
a	Market value	2a	1959413	
b	Actuarial value	2b	1911317	
3	Funding target/participant count breakdown	(1) Number of participants	(2) Vested Funding Target	(3) Total Funding Target
a	For retired participants and beneficiaries receiving payment	3	27707	27707
b	For terminated vested participants	4	10228	10228
c	For active participants	182	1526260	1736816
d	Total	189	1564195	1774751
4	If the plan is in at-risk status, check the box and complete lines (a) and (b)			
a	Funding target disregarding prescribed at-risk assumptions	4a		
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	4b		
5	Effective interest rate	5	6.65%	
6	Target normal cost	6	502833	

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.

SIGN HERE		08/10/2015
SUZANNE HUGHES	Signature of actuary	Date
BUCK CONSULTANTS, LLC	Type or print name of actuary	14-07118
500 PLAZA DRIVE SECAUCUS, NJ 07096-1533	Firm name	Most recent enrollment number
	Address of the firm	201-902-2615
		Telephone number (including area code)

Part II Beginning of Year Carryover and Prefunding Balances		
	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	0	0
8 Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9 Amount remaining (line 7 minus line 8)	0	0
10 Interest on line 9 using prior year's actual return of <u>11.87</u> %	0	0
11 Prior year's excess contributions to be added to prefunding balance:		
a Present value of excess contributions (line 38a from prior year)		95258
b(1) Interest on the excess, if any, of line 38a over line 38b from prior year Schedule SB, using prior year's effective interest rate of <u>6.46</u> %		6154
b(2) Interest on line 38b from prior year Schedule SB, using prior year's actual return		0
c Total available at beginning of current plan year to add to prefunding balance		101412
d Portion of (c) to be added to prefunding balance		0
12 Other reductions in balances due to elections or deemed elections	0	0
13 Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	0	0

Part III Funding Percentages		
14 Funding target attainment percentage	14	107.69 %
15 Adjusted funding target attainment percentage	15	107.69 %
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	93.46 %
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV Contributions and Liquidity Shortfalls					
18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
04/14/2014	129000	0			
07/14/2014	129000	0			
01/15/2015	74000	0			
08/03/2015	52000	0			
			Totals ►	18(b)	384000
				18(c)	0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:		
a Contributions allocated toward unpaid minimum required contributions from prior years	19a	0
b Contributions made to avoid restrictions adjusted to valuation date	19b	0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	367503
20 Quarterly contributions and liquidity shortfalls:		
a Did the plan have a "funding shortfall" for the prior year? ☒ Yes ☐ No		
b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☒ Yes ☐ No		
c 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
0	0	0
		(4) 4th
		0

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

21 Discount rate:				
a Segment rates:	1st segment: 4.99 %	2nd segment: 6.32 %	3rd segment: 6.99 %	☐ N/A, full yield curve used
b Applicable month (enter code).....				21b 4
22 Weighted average retirement age				22 62
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	502833										
b Excess assets, if applicable, but not greater than line 31a	31b	136566										
32 Amortization installments:	<table border="1"> <thead> <tr> <th></th> <th>Outstanding Balance</th> <th>Installment</th> </tr> </thead> <tbody> <tr> <td>a Net shortfall amortization installment.....</td> <td>0</td> <td>0</td> </tr> <tr> <td>b Waiver amortization installment</td> <td>0</td> <td>0</td> </tr> </tbody> </table>				Outstanding Balance	Installment	a Net shortfall amortization installment.....	0	0	b Waiver amortization installment	0	0
	Outstanding Balance	Installment										
a Net shortfall amortization installment.....	0	0										
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	366267										
		Carryover balance	Prefunding balance									
35 Balances elected for use to offset funding requirement.....	0	0	0									
36 Additional cash requirement (line 34 minus line 35).....	36	366267										
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c).....	37	367503										
38 Present value of excess contributions for current year (see instructions)												
a Total (excess, if any, of line 37 over line 36)	38a	1236										
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

<p style="text-align: center;">SCHEDULE D (Form 5500)</p> <p style="text-align: center; font-size: small;">Department of the Treasury Internal Revenue Service</p> <hr/> <p style="text-align: center; font-size: small;">Department of Labor Employee Benefits Security Administration</p>	<p style="text-align: center;">DFE/Participating Plan Information</p> <p style="text-align: center; font-size: small;">This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).</p> <p style="text-align: center; font-weight: bold;">▶ File as an attachment to Form 5500.</p>	<p style="text-align: center; font-size: small;">OMB No. 1210-0110</p> <hr/> <p style="text-align: center; font-size: large; font-weight: bold;">2014</p> <hr/> <p style="text-align: center; font-size: small;">This Form is Open to Public Inspection.</p>
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For calendar plan year 2014 or fiscal plan year beginning 01/01/2014 and ending 12/31/2014

<p>A Name of plan <u>XYLEM PENSION PLAN FOR BARGAINING UNIT EMPLOYEES-AUBURN</u></p>	<p>B Three-digit plan number (PN) ▶ <u>003</u></p>	
<p>C Plan or DFE sponsor's name as shown on line 2a of Form 5500 <u>XYLEM INC.</u></p>	<p>D Employer Identification Number (EIN) <u>45-2080495</u></p>	

Part I	Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs)
(Complete as many entries as needed to report all interests in DFEs)	

a Name of MTIA, CCT, PSA, or 103-12 IE: INV. MASTER TRUST OF XYLEM INC.

b Name of sponsor of entity listed in (a): XYLEM INC.

c EIN-PN <u>37-6491099-302</u>	d Entity code <u>M</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>2232467</u>
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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)
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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)
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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)
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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)
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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)
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a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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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
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SCHEDULE H (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	Financial Information 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). ▶ File as an attachment to Form 5500.	<small>OMB No. 1210-0110</small> 2014 This Form is Open to Public Inspection
For calendar plan year 2014 or fiscal plan year beginning <u>01/01/2014</u> and ending <u>12/31/2014</u>		
A Name of plan <u>XYLEM PENSION PLAN FOR BARGAINING UNIT EMPLOYEES-AUBURN</u>		B Three-digit plan number (PN) ▶ <u>003</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>XYLEM INC.</u>		D Employer Identification Number (EIN) <u>45-2080495</u>

Part I	Asset and Liability Statement		
1 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. Round off amounts to the nearest dollar. 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
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)	194000	126000
(2) Participant contributions.....	1b(2)		
(3) Other.....	1b(3)	0	12747
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common.....	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property).....	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans.....	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)	1769579	2232467
(12) Value of interest in 103-12 investment entities.....	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	1963579	2371214

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h	31845	38592
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	31845	38592

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	1931734	2332622
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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 Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	384000	
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		384000

b Earnings on investments:**(1) Interest:**

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		0

(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0

(3) Rents	2b(3)		
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(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0

(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		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)		29587
(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 income amounts in column (b) and enter total.....	2d		413587

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers.....	2e(1)	12699	
(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)		12699
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 expense amounts in column (b) and enter total.....	2j		12699

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d.....	2k		400888
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
c 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	
4c			
d 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	
4d			
e Was this plan covered by a fidelity bond?	X		15000000
4e			
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
4f			
g 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	
4g			
h 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	
4h			
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)		X	
4i			
j 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	
4j			
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?		X	
4k			
l Has the plan failed to provide any benefit when due under the plan?.....		X	
4l			
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)		X	
4m			
n 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.			
4n			

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)

6a Name of trust	6b Trust's EIN

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information 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). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2014 This Form is Open to Public Inspection.
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For calendar plan year 2014 or fiscal plan year beginning 01/01/2014 and ending 12/31/2014

A Name of plan <u>XYLEM PENSION PLAN FOR BARGAINING UNIT EMPLOYEES-AUBURN</u>	B Three-digit plan number (PN) ▶ <u>003</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>XYLEM INC.</u>	D Employer Identification Number (EIN) <u>45-2080495</u>

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

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 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): EIN(s): <u>36-1561860</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	<u>0</u>

Part II	Funding Information (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)
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4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☒ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 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. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived).....	6a		
b Enter the amount contributed by the employer to the plan for this plan year.....	6b		
c 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)	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?.....	☐ Yes	☐ No	☐ N/A
8 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?.....	☐ Yes	☐ No	☒ N/A

Part III	Amendments
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9 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.....	☒ Increase	☐ Decrease	☐ Both	☐ No
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Part IV	ESOPs (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.
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10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
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.).....	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ 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:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 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:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

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

a Enter the number of employers who withdrew during the preceding plan year	16a	
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	16b	

- 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: _____% 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 Pension Plan for Bargaining Unit Employees - Auburn

Financial Statements as of December 31, 2014 and 2013,
and for the Years Ended December 31, 2014 and 2013,
and Independent Auditor's Report

XYLEM PENSION PLAN FOR BARGAINING UNIT EMPLOYEES - AUBURN
TABLE OF CONTENTS

Independent Auditor's Report	Page 3
Financial Statements:	
Statements of Net Assets Available for Benefits as of December 31, 2014 and 2013	5
Statements of Changes in Net Assets Available for Benefits for the years ended December 31, 2014 and 2013	6
Notes to the Financial Statements	7

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 Pension Plan for Bargaining Unit Employees - Auburn
Rye Brook, New York

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Xylem Pension Plan for Bargaining Unit Employees - Auburn, which comprise the statements of net assets available for benefits as of December 31, 2014 and 2013, 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, 2014 and 2013 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.

(Continued)

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
August 18, 2015

XYLEM PENSION PLAN FOR BARGAINING UNIT EMPLOYEES - AUBURN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31,	2014	2013
ASSETS		
Investments - at fair value:		
Plan's interest in the Investment Master Trust of Xylem Inc.	\$ 2,232,467	\$ 1,769,579
Employer contribution receivable	126,000	194,000
Other receivable	12,747	—
Total assets	2,371,214	1,963,579
LIABILITIES		
Accrued administrative expenses	38,592	31,845
NET ASSETS AVAILABLE FOR BENEFITS	\$ 2,332,622	\$ 1,931,734

See accompanying notes to financial statements.

XYLEM PENSION PLAN FOR BARGAINING UNIT EMPLOYEES - AUBURN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Years Ended December 31,

	2014	2013
ADDITIONS		
Plan's interest in the investment income of the Investment Master Trust of Xylem Inc.	\$ 88,439	\$ 171,291
Employer contributions	384,000	636,000
Other additions	—	24,323
Total additions	472,439	831,614
DEDUCTIONS		
Benefits paid to participants	12,699	1,048
Administrative expenses	58,852	42,516
Total deductions	71,551	43,564
NET INCREASE IN ASSETS AVAILABLE FOR BENEFITS	400,888	788,050
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of year	1,931,734	1,143,684
End of year	\$ 2,332,622	\$ 1,931,734

See accompanying notes to financial statements.

XYLEM PENSION PLAN FOR BARGAINING UNIT EMPLOYEES - AUBURN
NOTES TO FINANCIAL STATEMENTS

Note 1. Description of the Plan

The following description of the Xylem Pension Plan for Bargaining Unit Employees - Auburn (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 United Steelworkers of America, AFL-CIO, Local 9832 at the Auburn, NY location of Xylem Water Systems U.S.A., 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 ("Plan Administrator"), 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 became effective January 1, 2012 ("Effective Date") and is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

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, 2014 and 2013. 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, 2014 and 2013.

The Plan was amended effective July 26, 2014 to increase the monthly benefit rate for future credited service and no new participants will be added to the Plan after August 3, 2014.

Eligibility - All hourly employees of the Employer represented by United Steelworkers of America, AFL-CIO, Local 9832 at the Auburn, New York location are eligible to participate in the Plan if they were on the Employer payroll at the Effective Date, or after completing one hour of service prior to August 4, 2014. Effective August 4, 2014 the Plan is frozen to new participants.

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 62. The normal monthly benefit payments are determined by multiplying the benefit rate, which depends upon the period of credited service, as defined by the Plan, by the total number of years of credited service. A participant is 100% vested after five years of service. Prior to that time, the participant is not vested. A participant's pension benefit in the Plan is reduced by the normal or postponed pension benefit under the ITT Pension Plan for Bargaining Unit Employees Seneca Falls, New York ("Former Pension Plan"). The Plan Sponsor established the Plan to continue the pension plan benefits of the Former Pension Plan.

Participants are eligible to receive early retirement benefits between the ages of 55 and 62 upon completion of five years of credited service. Early retirement benefits are computed in a manner similar to normal

retirement at age 62, 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 - The surviving spouse of a participant who is vested 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 participant 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 completed 5 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 could 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 as complete and accurate 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.

	2014	2013
Investments at fair value:		
Interest in the Investment Master Trust of Xylem Inc.	\$ 2,232,467	\$ 1,769,579

During 2014 and 2013, 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 \$88,439 and \$171,291, respectively.

Note 4. Fair Value Measurement

The Plan determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Plan uses a hierarchical structure to prioritize the inputs to valuation techniques used to measure fair value into three broad levels. The three levels of inputs within the fair value hierarchy are identified as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Plan has the ability to access as of the measurement date.

Level 2 - Significant other observable inputs other than Level 1 prices such as 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.

Level 3 - Significant unobservable inputs that reflect the Plan's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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 2014 and 2013.

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. CTs are valued using the NAV provided by the administrators of the CTs. 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 Administrator believes that the valuation methods are appropriate and consistent with how other participants in the market value these type of investments, 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.

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, 2014:

	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2) *	Significant Unobservable Inputs (Level 3)	Total
Cash	\$ 611,532	\$ —	\$ —	\$ 611,532
Mutual funds				
Western Asset Core Plus Bond Fund	12,526,477	—	—	12,526,477
DFA Emerging Markets Value Portfolio	3,348,287	—	—	3,348,287
Ironbridge SMID Cap Fund	4,077,981	—	—	4,077,981
Exchange traded notes				
JPM Alerian MLP Index ETN	3,946,645	—	—	3,946,645
Collective trusts				
EAFE Index Fund (a)	—	7,723,197	—	7,723,197
TIPS Index Fund (b)	—	2,382,701	—	2,382,701
Long-Term Govt Bond Index Fund (c)	—	2,819,961	—	2,819,961
Russell 1000 Index Fund (d)	—	15,884,954	—	15,884,954
Highclere International Investors SMID Fund (e)	—	3,159,058	—	3,159,058
Limited partnerships				
MacKay Shields High Yield Active Core Fund (f)	—	3,763,120	—	3,763,120
Totals	<u>\$ 24,510,922</u>	<u>\$ 35,732,991</u>	<u>\$ —</u>	<u>\$ 60,243,913</u>

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 Identical Assets (Level 1)	Other Observable Inputs (Level 2) *	Significant Unobservable 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

- * For the Master Trust's investments at December 31, 2014 and 2013 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 mid 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.

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 as outlined in 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, 2014 and 2013.

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, 2013 is as follows:

Vested accumulated plan benefits:

Retired participants and/or beneficiaries currently receiving benefits	\$ 23,948
Other participants	1,267,812
Total vested accumulated plan benefits	<u>1,291,760</u>

Nonvested accumulated plan benefits	168,140
Total actuarial present value of accumulated plan benefits	<u>\$ 1,459,900</u>

The changes in the actuarial present value of the Plan's accumulated plan benefits for the year ended December 31, 2013, are as follows:

Actuarial present value of accumulated plan benefits - December 31, 2012	\$ 998,196
Increase (decrease) during the year attributable to:	
Benefits accumulated and (gains) losses	346,067
Benefits paid	(1,048)
Interest	79,815
Assumption changes	36,870
Actuarial present value of accumulated plan benefits - December 31, 2013	<u>\$ 1,459,900</u>

The significant actuarial assumptions used in the December 31, 2013 valuations were:

- **Mortality:** The mortality assumption was updated to the Blue Collar version of the RP-2014 Total Dataset Employee version pre-commencement and Healthy Annuitant post-commencement Mortality Table projected on a generational basis with Scale MP-2014 as published by the Society of Actuaries in November, 2014. The RP-2014 Disabled Retiree mortality table projected on a generational basis with Scale MP-2014 as published by the Society of Actuaries in October, 2014 was used for the period after disability. This replaced the projection specified in IRS Regulation 1.430(h)(3)-1, applied on a static basis and a special mortality table 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 largely attributed to the change in the mortality table.

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, 2014 and 2013:

	2014	2013
Investments at estimated fair value:		
Cash and other	\$ 611,532	\$ 704,219
Mutual funds	19,952,745	19,069,667
Exchange traded notes	3,946,645	3,981,002
Collective trusts	31,969,871	30,192,809
Limited partnerships	3,763,120	3,704,722
Investments in the Master Trust	<u>\$ 60,243,913</u>	<u>\$ 57,652,419</u>
 Plan's interest in investments of the Master Trust	 <u>\$ 2,232,467</u>	 <u>\$ 1,769,579</u>
 Plan's interest in investments of the Master Trust as a percentage of the total	 <u>3.71%</u>	 <u>3.07%</u>

The net investment income of the Master Trust for the years ended December 31, 2014 and 2013, are summarized below:

	2014	2013
Investment income in the Master Trust:		
Net appreciation in fair value of investments:		
Mutual funds	\$ 372,390	\$ 42,935
Exchange traded notes	(34,356)	281,015
Collective trusts	1,711,546	5,544,655
Limited partnerships	58,398	204,722
Dividends	386,319	347,823
Interest income	425,743	338,065
Fees & expenses	(243,274)	(260,314)
Net investment income in the Master Trust	<u>\$ 2,676,766</u>	<u>\$ 6,498,901</u>
 Plan's interest in the Master Trust investment income	 <u>\$ 88,439</u>	 <u>\$ 171,291</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, 2014 and 2013 are as follows:

	2014	2013
Master Trust:		
Russell 1000 Index Fund	\$ 15,884,954	\$ 14,028,700
Western Asset Core Plus Bond Fund	12,526,477	11,632,911
EAFE Index Fund	7,723,197	8,098,038
Ironbridge SMID Cap Fund	4,077,981	3,933,841
JPM Alerian MLP Index ETN	3,946,645	3,981,002
MacKay Shields High Yield Active Core Fund	3,763,120	3,704,722
DFA Emerging Markets Value Portfolio	3,348,287	3,502,915
Highclere International Investors SMID Fund	3,159,058	3,502,123

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, actuarial services and other professional and regulatory fees. 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 Plan became effective January 1, 2012, and a request for an IRS determination letter stating that the Plan is designed in accordance with applicable sections of the IRC has not been filed because the regular cycle for the Plan to file for a determination letter is February 1, 2015 to January 31, 2016. However, the Company believes that the Plan is designed, and is currently being operated in compliance with the applicable requirements of the IRC, and the Plan continues to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

GAAP requires the Company 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 remains subject to income tax examination for 2012, 2013 and 2014.

Note 11. Subsequent Events

The Plan Administrator has evaluated subsequent events for recognition and disclosure through August 18, 2015, which is the date the financial statements were available to be issued. No significant events were noted.

Xylem Pension Plan for Bargaining Unit Employees, Auburn, New York

EIN / PN: 45-2080495 / 003

Schedule SB, Line 26 - Schedule of Active Participant Data

AGE	CREDITED SERVICE ¹										Total
	Under 1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
Under 25	1	3	0	0	0	0	0	0	0	0	4
25 - 29	4	3	3	0	0	0	0	0	0	0	10
30 - 34	2	5	7	0	0	0	0	0	0	0	14
35 - 39	1	1	5	1	2	0	0	0	0	0	10
40 - 44	2	2	3	1	7	0	0	0	0	0	15
45 - 49	2	5	2	3	7	14	2	0	0	0	35
50 - 54	1	3	4	4	7	10	5	4	0	0	38
55 - 59	1	0	3	3	3	5	5	9	11	1	41
60 - 64	0	0	1	1	1	1	1	2	5	2	14
65 - 69	0	1	0	0	0	0	0	0	0	0	1
70+	0	0	0	0	0	0	0	0	0	0	0
Total	14	23	28	13	27	30	13	15	16	3	182

¹ Includes participants on leave of absence.

Xylem Pension Plan for Bargaining Unit Employees, Auburn, New York

EIN/PN: 45-2080495 / 003

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

Prescribed Funding Assumptions and Methods

The following assumptions and methods are prescribed by ERISA, as amended by PPA, MAP-21 and HATFA.

Funding interest rates

For 2014 Plan Year:

Segment Rates with four-month lookback, constrained in accordance with MAP-21 and HATFA as follows:

	Unconstrained Rates*	Rates Reflecting MAP-21 Corridor	Rates Reflecting HATFA Corridor**
First Segment Rate	1.37%	4.43%	4.99%
Second Segment Rate	4.05%	5.62%	6.32%
Third Segment Rate	5.06%	6.22%	6.99%

Effective Interest Rate

Based on HATFA rates

6.65%

For 2013 Plan Year:

Segment Rates with four-month lookback, constrained in accordance with MAP-21 as follows:

	Unconstrained Rates*	Rates Reflecting MAP-21 Corridor**
First Segment Rate	1.75%	4.94%
Second Segment Rate	4.62%	6.15%
Third Segment Rate	5.72%	6.76%

Effective Interest Rate

Based on MAP-21 rates

6.46%

* Used for maximum tax-deduction purposes

** Used for minimum funding and benefit restriction purposes

Mortality

Mortality tables mandated by PPA as specified in IRS Regulation 1.430(h)(3)-1, applied on a static basis, using the blended annuitant/non-annuitant table applicable to small plans.

Actuarial cost method

The Funding Target is the present value of accrued benefits 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 Pension Plan for Bargaining Unit Employees, Auburn, New York

EIN/PN: 45-2080495 / 003

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

Non-Prescribed Funding Assumptions and Methods

The following assumptions were selected by the plan's enrolled actuary. The asset valuation method was selected by the plan sponsor with the actuary's advice and is an acceptable method under PPA.

Expenses

Expected plan related expenses of \$48,784 were added to the Target Normal Cost.

Frequency of optional payment forms

55% of future retirees and terminations are assumed to take a life annuity. For future retirees and terminations who are assumed not to take a life annuity, 10% are assumed to take a Joint and Survivor 50%, 5% are assumed to take a Joint and Survivor 66 2/3%, 10% are assumed to take a Joint and Survivor 75%, 15% are assumed to take a Joint and Survivor 100%, and 5% are assumed to take 10-Year Certain and Life Annuity.

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. A combined annuitant and non-annuitant table was 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	70.00%
63	30.00%
64	30.00%
65	30.00%
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 Pension Plan for Bargaining Unit Employees, Auburn, New York

EIN/PN: 45-2080495 / 003

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

Non-Prescribed Funding Assumptions and Methods (continued)

Disability rates

Age	Rates
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 rates¹

Age	Rates
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.

¹ For active participants not eligible for retirement.

Xylem Pension Plan for Bargaining Unit Employees, Auburn, New York

EIN/PN: 45-2080495 / 003

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

Non-Prescribed Funding Assumptions and Methods (continued)

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.

	Actuary's Assumption	Third Segment Rate	Reflecting PPA Limit
2014 Expected Return	8.00%	6.99%	6.99%
2013 Expected Return	8.00%	6.76%	6.76%
2012 Expected Return	8.00%	6.32%	6.32%

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, changes expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions, applicable law or regulations. An analysis of the potential range of such future differences is beyond the scope of this report.

**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

2014**This Form is Open to Public
Inspection**

For calendar plan year 2014 or fiscal plan year beginning 01/01/2014 and ending 12/31/2014

▶ 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.

A Name of plan Xylem Pension Plan for Bargaining Unit Employees, Auburn, New York		B Three-digit plan number (PN) ▶ 003
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF Xylem Inc.		D Employer Identification Number (EIN) 45-2080495
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B		
F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500		

Part I Basic Information

1 Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2014</u>			
2 Assets:			
a Market value.....		2a	1959413
b Actuarial value.....		2b	1911317
3 Funding target/participant count breakdown	(1) Number of participants	(2) Vested Funding Target	(3) Total Funding Target
a For retired participants and beneficiaries receiving payment.....	3	27707	27707
b For terminated vested participants.....	4	10228	10228
c For active participants.....	182	1526260	1736816
d Total.....	189	1564195	1774751
4 If the plan is in at-risk status, check the box and complete lines (a) and (b) ☐			
a Funding target disregarding prescribed at-risk assumptions.....		4a	
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.....		4b	
5 Effective interest rate.....	5	6.65%	
6 Target normal cost.....	6	502833	

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.

**SIGN
HERE***Suzanne Hughes*
Signature of actuary*8/10/2015*
Date

SUZANNE HUGHES

1407118

Type or print name of actuary

BUCK CONSULTANTS, LLC

Most recent enrollment number

201-902-2615

Firm name

Telephone number (including area code)

500 PLAZA DRIVE

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) 2014
v. 140124

Part II Beginning of Year Carryover and Prefunding Balances

	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (line 13 from prior year).....	0	0
8 Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9 Amount remaining (line 7 minus line 8).....	0	0
10 Interest on line 9 using prior year's actual return of <u>11.87%</u>	0	0
11 Prior year's excess contributions to be added to prefunding balance:		
a Present value of excess contributions (line 38a from prior year).....		95258
b(1) Interest on the excess, if any, of line 38a over line 38b from prior year Schedule SB, using prior year's effective interest rate of <u>6.46%</u>		6154
b(2) Interest on line 38b from prior year Schedule SB, using prior year's actual return		0
c Total available at beginning of current plan year to add to prefunding balance		101412
d Portion of (c) to be added to prefunding balance.....		0
12 Other reductions in balances due to elections or deemed elections	0	0
13 Balance at beginning of current year (line 9 + line 10 + line 11d - line 12)	0	0

Part III Funding Percentages

14 Funding target attainment percentage	14	107.69%
15 Adjusted funding target attainment percentage	15	107.69%
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement.....	16	93.46%
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.	17	%

Part IV Contributions and Liquidity Shortfalls**18** Contributions made to the plan for the plan year by employer(s) and employees:

(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
04/14/2014	129000	0			
07/14/2014	129000	0			
01/15/2015	74000	0			
08/03/2015	52000	0			
Totals ▶			18(b)	384000	18(c)
					0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:

a Contributions allocated toward unpaid minimum required contributions from prior years.....	19a	0
b Contributions made to avoid restrictions adjusted to valuation date	19b	0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	367503

20 Quarterly contributions and liquidity shortfalls:

a Did the plan have a "funding shortfall" for the prior year?	☒ Yes ☐ No
b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☒ Yes ☐ No
c 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

21 Discount rate:			
a Segment rates:	1st segment: 4.99%	2nd segment: 6.32%	3rd segment: 6.99%
			☐ N/A, full yield curve used
b Applicable month (enter code).....			21b 4
22 Weighted average retirement age			22 62
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	502833
b Excess assets, if applicable, but not greater than line 31a		31b	136566
32 Amortization installments:			
a Net shortfall amortization installment		Outstanding Balance	Installment
		0	0
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	366267
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement.....	0	0	0
36 Additional cash requirement (line 34 minus line 35)	36	366267	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	367503	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)		38a	1236
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 Pension Plan for Bargaining Unit Employees, Auburn, New York

EIN / PN: 45-2080495 / 003

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) Age	(2) Expected Active Headcount	(3) Retirement Rate	(4) Expected Retirements (2)*(3)	(5) Weighted Age (1)*(4)
55	96.8367	0.0201	1.9470	107.0875
56	105.2227	0.0203	2.1387	119.7646
57	112.2387	0.0207	2.3233	132.4305
58	112.8860	0.0214	2.4158	140.1142
59	116.2672	0.0219	2.5463	150.2288
60	118.2748	0.0228	2.6973	161.8392
61	119.8139	0.0235	2.8168	171.8239
62	116.8764	0.6945	81.1677	5,032.3964
63	34.9822	0.2921	10.2196	643.8348
64	26.5069	0.2897	7.6790	491.4579
65	18.6087	0.3000	5.5826	362.8699
66	12.8518	0.3000	3.8555	254.4659
67	9.8568	0.2696	2.6570	178.0223
68	7.0803	0.2581	1.8277	124.2864
69	5.1590	0.3000	1.5477	106.7913
70	3.5357	1.0000	<u>3.5357</u>	<u>247.5008</u>
Total			134.9578	8,424.9142
Weighted Average Retirement Age = 8424.9142 / 134.9578				62.43
Rounded Weighted Average Retirement Age				62

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.

General note: The table presents values rounded to fewer significant digits than used in the calculation.

Xylem Pension Plan for Bargaining Unit Employees, Auburn, New York
EIN/PN: 45-2080495 / 003

Schedule SB, Part V – Summary of Plan Provisions

Effective date

January 1, 2012.

Covered employees

Any employee of the Company who is covered by the collective bargaining agreement entered into by the Company and United Steelworkers of America, AFL-CIO, Local 9832 and an eligible employee of a Participating Unit on January 1, 2012.

Eligibility for participation

A covered employee becomes a member of the Plan on his date of employment.

Vesting service

Vesting service is equal to the elapsed period of time in completed years since a covered employee's date of employment.

Benefit service

In general, a covered employee earns one month of Benefit Service for each calendar month during which he has one hour of service after October 31, 2011.

Actuarial Equivalent

- | | | |
|-----|-----------------------|--|
| (1) | 100% J&S | 83% plus (minus) 0.75% for each year that the spouse is older (younger) than the Participant. |
| (2) | 75% J&S | 86.5% plus (minus) 0.50% for each year that the spouse is older (younger) than the Participant. |
| (3) | 66- $\frac{2}{3}$ J&S | 88% plus (minus) 0.50% for each year that the spouse is older (younger) than the Participant. |
| (4) | 50% J&S | 90% plus (minus) 0.50% for each year that the spouse is older (younger) than the Participant. |
| (5) | 10-Year C&L | 92% plus 0.50% for each year prior to age 65 or minus 1% for each year after age 65 Annuity Starting Date. |

Xylem Pension Plan for Bargaining Unit Employees, Auburn, New York

EIN/PN: 45-2080495 / 003

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

Normal retirement pension

Eligibility

Age 62 and five years of Vesting Service.

Basic monthly benefit

The amount of monthly benefit depends upon the member's date of retirement and is determined in accordance with the following schedule:

Last Day of Employment	Benefit Unit Per Year of Service prior to January 1, 2005	Benefit Unit Per Year of Service on or after January 1, 2005
Before December 31, 2012	\$ 33.00	\$ 42.00
December 31, 2012 - December 31, 2013	\$ 34.00	\$ 43.00
On or after December 31, 2013	\$ 35.00	\$ 44.00

Early retirement pension

Eligibility

Age 55 and five years of Vesting Service.

Benefit

Accrued pension deferred to age 62; or immediate pension equal to accrued pension reduced by 1/3% for each month by which commencement precedes normal retirement date.

Disability retirement pension

Eligibility

Total and permanent disability after five years of Vesting Service.

Benefit

Accrued pension under the Plan payable immediately.

Special disability retirement pension

Eligibility

Total and permanent disability after five years of Vesting Service.

Benefit

Accrued pension under the Former Pension Plan payable immediately but ceasing at age 62.

Deferred vested pension

Eligibility

Five years of Vesting Service.

Benefit

Accrued pension deferred to age 62, or reduced pension after age 55. Reduction same as for early retirement.

Xylem Pension Plan for Bargaining Unit Employees, Auburn, New York

EIN/PN: 45-2080495 / 003

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

Spouse's benefit

Eligibility

Death after becoming eligible for a vested benefit.

Benefit

If the death of the member occurs while the member is actively employed, the benefit payable for life to the surviving spouse is 50% (reduced by 1% for each full year the surviving spouse is more than 10 years younger than the deceased member) of the member's accrued benefit as of the date of death. Benefit commences on the first day of the month next following the later of the date on which the member's death occurred and the date the member would have attained age 45.

If the death of the member occurs subsequent to the member's date of termination and prior to the commencement of benefit payments, the benefit payable for life to the surviving spouse is 50% of the member's accrued benefit as of the date of death reduced for early commencement of payments and for the 50% joint and survivor form of payment. This benefit is payable commencing on the earliest date the member could have retired and commenced benefit payments had he survived.

Normal form of benefit

Single

Life annuity.

Married

Reduced 50% joint and survivorship annuity.

Optional forms of benefit

- (1) Life annuity.
- (2) Ten Year Certain and Life annuity.
- (3) 50% joint and survivorship annuity.
- (4) 66-2/3% joint and survivorship annuity.
- (5) 75% joint and survivorship annuity.
- (6) 100% joint and survivorship annuity.

Contributions

Noncontributory.

Xylem Pension Plan for Bargaining Unit Employees, Auburn, New York

EIN/PN: 45-2080495 / 003

Schedule SB, line 24 – Change in Actuarial Assumptions

- The expected plan related expenses added to the Target Normal Cost were updated from \$17,144 to \$48,784.
- For the 2014 plan year the plan's funding status is no longer At-Risk and therefore the retirement assumptions mandated by PPA are not used.