

Xylem Inc.
Form 11-K
June 25, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

Annual Report pursuant to Section 15(d) of the Securities Exchange Act of 1934
for the fiscal year ended December 31, 2013

OR

Transition Report pursuant to Section 15(d) of the Securities Exchange Act of 1934
for the transition period from to
Commission File Number 1-35229

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
XYLEM RETIREMENT SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:
XYLEM INC.
1 INTERNATIONAL DRIVE, RYE BROOK, NY 10573

TABLE OF CONTENTS

I. FINANCIAL STATEMENTS

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	<u>3</u>
Financial Statements:	
<u>Statements of Net Assets Available for Benefits as of December 31, 2013 and 2012</u>	<u>4</u>
<u>Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2013</u>	<u>5</u>
<u>Notes to Financial Statements</u>	<u>6</u>
Supplemental Schedule:	
<u>Schedule H, Line 4i – Schedule of Assets (Held at End of Year)</u>	<u>18</u>
<u>Signatures</u>	<u>19</u>
All other schedules required by Section 2520.103-10 of the U.S. Department of Labor’s Rules and Regulations for Reporting and Disclosures under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.	

II. EXHIBITS

Exhibit 23.1 – Consent of Independent Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Members of the
Xylem Retirement Savings Plan
Rye Brook, New York

We have audited the accompanying statements of net assets available for benefits of the Xylem Retirement Savings Plan (the "Plan") as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended December 31, 2013. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2013 and 2012, and the changes in net assets available for benefits for the year ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2013 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the basic 2013 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche LLP
Stamford, Connecticut
June 25, 2014

XYLEM RETIREMENT SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
(In Thousands)

December 31,	2013	2012
ASSETS		
Investments - at fair value:		
Member-directed investments:		
Equities and brokerage	\$15,088	\$13,740
Mutual funds	77,422	51,654
Common collective trusts	92,380	75,979
Other managed accounts	54,262	41,945
Total investments	239,152	183,318
Receivables:		
Employer contributions	2,941	3,239
Member contributions	1,224	1,132
Notes receivable from Members	5,448	4,483
Total receivables	9,613	8,854
Total assets	248,765	192,172
LIABILITIES		
Accrued expenses	45	69
Total liabilities	45	69
NET ASSETS AVAILABLE FOR BENEFITS, AT FAIR VALUE	248,720	192,103
Adjustment from fair value to contract value for fully benefit-responsive Stable Asset Income Fund	71	(572)
NET ASSETS AVAILABLE FOR BENEFITS	\$248,791	\$191,531

See accompanying notes to financial statements.

XYLEM RETIREMENT SAVINGS PLAN
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 (In Thousands)

Year Ended December 31,	2013
INVESTMENT ACTIVITY	
Net appreciation in fair value of investments	\$34,465
Dividends	2,986
Total investment activity	37,451
CONTRIBUTIONS	
Employer	12,737
Members	14,072
Member rollovers	2,093
Total contributions	28,902
INTEREST INCOME ON NOTES RECEIVABLE FROM MEMBERS	200
DEDUCTIONS	
Distributions to Members	(17,827)
Trustee and administrative expenses	(229)
Total deductions	(18,056)
NET INCREASE IN ASSETS AVAILABLE FOR BENEFITS BEFORE TRANSFER	48,497
NET TRANSFERS INTO PLAN	
Transfer due to plan merger	8,763
NET INCREASE IN ASSETS AVAILABLE FOR BENEFITS	57,260
NET ASSETS AVAILABLE FOR BENEFITS	
Beginning of period	191,531
End of period	\$248,791

See accompanying notes to financial statements.

XYLEM RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS

Note 1. Description of The Plan

The following description of the Xylem Retirement Savings Plan (the "Plan") is provided for general information purposes only. Participants (or "Members") should refer to the Plan for more complete information.

General - The Plan became effective October 31, 2011 following the spin-off of Xylem Inc. (the "Company" or the "Plan Sponsor") from ITT Corporation (the "Spin-off"). The Plan is a defined contribution plan generally covering all non-union U.S. employees of Xylem Inc. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). The Plan financial statements and schedule have been prepared in accordance with the financial reporting requirements of ERISA and are set forth in this report as permitted by Item 4 of Form 11-K.

Effective January 1, 2013, the Plan was amended to change its name to the Xylem Retirement Savings Plan. The amendment also removed the requirement that an employee must be on a salaried payroll to be eligible to participate.

During January 2013, all participants of the O.I. Corporation 401(k) Plan (the "O.I. Plan") became Members of the Plan. On January 2, 2013, the assets of the participants' balances of the O.I. Plan totaling \$8.4 million were transferred into the Plan, including loans receivable from participants of \$0.1 million.

During December 2013, all participants of the Multitrode Inc. 401(k) Profit Sharing Plan and Trust (the "Multitrode Plan") became Members of the Plan. On December 2, 2013, the assets of the participants' balances of the Multitrode Plan totaling \$0.3 million were transferred into the Plan, including loans receivable from participants which were immaterial.

Eligibility - All full time U.S. citizen and permanent resident non-union employees of the Company are eligible to participate in the Plan upon hire and are automatically enrolled in the Plan. All previously eligible employees at the Spin-off were transferred to the Plan. Part-time U.S. non-union employees are eligible upon completion of 1,000 hours of service in a 12-month period. Expatriates working in the U.S. are eligible upon completion of 36 months of service. However, employees of a subsidiary of the Company that participate in a similar qualified plan of that subsidiary are not eligible to participate in the Plan.

Employee Contributions - A Member may generally elect to contribute 1% to 50% of eligible pay ("Salary" as defined by the Company's Benefits Administration Committee ("Plan Management"), which administers the Plan). Members may designate their contributions as before-tax savings, after-tax savings or any combination of the two. A Member who is considered a Highly Compensated Employee under the Plan may elect Plan contributions based on a maximum Salary as defined by Plan Management, but not participate in after-tax savings. Member contributions are subject to the dollar limitation provided by Section 402(g) of the Internal Revenue Code ("IRC"). All non-union employees who first satisfy the eligibility requirements for becoming a Member in the Plan on or after October 31, 2011, shall be automatically enrolled in the Plan at a 6% before-tax contribution rate until and unless the Member elects otherwise. Members may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

Employer Contributions - The Company will make matching contributions to the Member's account equal to 50% of a Member's before-tax savings and after-tax savings, up to a maximum of 3% of a Member's Salary. In addition, the Company contributes 3% or 4% of Salary as a core contribution to each eligible Member's account, as defined by the Plan. For Members with age plus years of service at the beginning of the Plan Year (includes service with ITT Corporation and the Company) of less than 50 years, the Company's contribution to the Member's account will be 3% of Salary. For Members with age plus years of service of 50 or more years at the beginning of the Plan Year, the Company's contribution to the Member's account will be 4% of Salary. Company contributions will be allocated in the Plan's investment options in the same proportion as the employee's contributions.

In 2012, the Company contributed special defined contribution credits (“Special DC Credits”) to eligible Members. The Special DC Credits were contributed to Members' accounts who were ITT Corporation employees on October 30, 2011, were not participants of the ITT Salaried Retirement Plan and became Members of the Plan on October

31, 2011. The Special DC Credits were equal to the amount that the Company would have contributed to the Plan as a core contribution if the Plan had been in effect prior to October 31, 2011, based on the Salary such employees received during the period of employment up to October 31, 2011. Special DC Credits were calculated and contributed to eligible Members during 2012. The Special DC Credits were a one-time contribution. There were no outstanding Special DC Credits at December 31, 2012.

The Company contributed transition credits ("Transition Credits") for eligible Members. Members eligible for Transition Credits are those who were employed by ITT Corporation or one of its subsidiaries on October 30, 2011, and who automatically became a Member of the Plan on October 31, 2011, or who became an employee of ITT Corporation or Exelis Inc. on October 31, 2011 and who became a Member of the Plan immediately following termination from ITT Corporation or Exelis Inc. before March 1, 2012. The contribution for Transition Credits is made annually no later than the due date for the corporate tax return (March 15th of the following year). For Members whose age plus years of service total 60 to 69 at the beginning of the Plan Year, the Company shall make a Transition Credit contribution equal to 3% of the Member's Salary for the Plan Year. For Members whose age plus years of service of 70 or more at the beginning of the Plan Year, the Company shall make a Transition Credit contribution equal to 5% of the Member's Salary for the Plan Year. Transition Credits will cease on the earliest of the Member's date of termination or death, commencement of pension payments under the ITT/Exelis Salaried Retirement Plan (formerly the ITT Salaried Retirement Plan), a change in control of the Company, or October 31, 2016.

Investments - Members may direct employee contributions and Company contributions, in any whole percentage, among any of the Plan's twenty-five fund options and a self-directed brokerage account. Members can change their future contributions and reallocate accumulated investments in 1% increments on a daily basis among the twenty-six options. However, the number of investment option reallocations or transfers in any calendar month may be limited as defined by Plan Management.

At the Spin-off, shares in ITT Corporation were converted into new shares of ITT Corporation, Xylem Inc., and Exelis Inc. Upon the transfer of Members' balances from the Exelis Salaried Investment and Savings Plan, three stock funds were established in the Plan. The ITT Stock Fund was created for the shares of ITT Corporation, the Exelis Stock Fund was created for the shares of Exelis Inc., and the Xylem Stock Fund was created for the shares of Xylem Inc. Effective November 16, 2012, the ITT Stock Fund and the Exelis Stock Fund were removed from the Plan. Members were given prior notice to change their investments or have their balance redirected to the appropriate target date fund within the Plan based on an assumed retirement age of 65.

Any Member or Company contributions directed by Members into the Xylem Stock Fund, including future contributions to the Plan, are deposited into the Employee Stock Ownership Plan account ("ESOP"). All dividends associated with the contributions held in the ESOP within the Plan are immediately 100% vested. In addition, Members can make an election regarding their ESOP dividends. Members can elect to have their ESOP dividends either reinvested in the Xylem Stock Fund or paid to them in cash on a quarterly basis.

The Plan limits the amount that may be held in the Xylem Stock Fund and the JP Morgan Chase & Co. ("JP Morgan") self-directed brokerage account ("JPMSDA") to 20% each of a Member's total account balance. Members who hold 20% or more of their total account balance in the Xylem Stock Fund or the JPMSDA will not be permitted to designate any future contributions or transfer balances into that fund. Members who hold less than 20% of their total account balance in the Xylem Stock Fund or the JPMSDA may designate up to 20% of future contributions or transfer balances into those funds, provided that the balance in each of the funds does not exceed 20% of the Member's total account balance after the transfer.

Member Accounts - Individual accounts are maintained for each Member. Each Member's account is credited with the Member's contributions, Company contributions, plan earnings or losses, and withdrawals, net of administrative expenses and investment management fees. Fund earnings and losses, as well as administrative expenses and investment fees are allocated based on the applicable Member account balances, as defined in the Plan. The benefit to which a Member is entitled is the benefit that can be provided from the Member's account balance.

Members can initiate transactions by using the Plan's web site or by speaking to a representative at the JP Morgan Benefits Center ("Benefits Center").

Vesting - Members are immediately vested in their contributions and all Company contributions, as well as actual earnings or losses, and have a non-forfeitable right to their accounts in the Plan.

7

Forfeited Accounts - Members are always 100% vested in their accounts. Therefore, there were no forfeited non-vested accounts at December 31, 2013 and 2012, nor were there any forfeitures during the year ended December 31, 2013 that were used to reduce Company contributions to the Plan.

Notes Receivable from Members - A Member may request a loan in any specified whole dollar amount which must be at least \$1,000 but which may not exceed the lesser of 50% of the vested account balance or \$50,000, reduced by the Member's highest outstanding loan balance under all plans of the Company, if any, during the prior one-year period. The interest rate charged by the Plan is a reasonable rate of interest for loans commensurate with the interest rates charged by persons in the business of lending money for loans which would be made under similar circumstances, as determined by Plan Management, and generally remains the same throughout the term of the loan. General purpose loan terms range from one to sixty months. If the loan is used in the purchase of a primary residence, the loan term can be for a period of up to one hundred-eighty months. Members may have up to two loans outstanding at the same time. Loans are secured by the balance in the Member's account. The Member's account is charged \$50 to cover loan origination fees. The amount of outstanding Notes Receivable from Members at December 31, 2013 and 2012 was \$5.4 million and \$4.5 million, respectively.

Under certain circumstances, including a Member's failure to make timely loan repayments, Plan Management may declare the Member's loan to be in default and the Plan may execute upon its security interest in the Member's account under the Plan to satisfy the debt.

A Member terminated from the Company may continue to make periodic repayment on such Member's loans after separation from the Company by contacting the Benefits Center, provided the Member's account plus the loan amount is greater than \$5,000. Account balances that do not exceed \$5,000 are subject to certain distribution rules (see below) and any outstanding loans are required to be settled. No new loans can be granted after termination of employment.

Distributions to Members - Upon termination of employment (including death, disability, or retirement) from the Company, a Member or the Member's surviving spouse beneficiary may elect to receive a lump-sum amount equal to the value of the Member's account paid in cash or as a rollover to another qualified plan or an Individual Retirement Account ("IRA"), or periodic payments under one of two alternative installment options, as defined in the Plan. In any case, a Member or the Member's surviving spouse beneficiary whose account balance is more than \$5,000 may elect to keep the Member's account balance in the Plan until the calendar year in which the Member reaches or would have reached age 70 ½. During the calendar year in which the Member attains age 70 ½, distribution from the Plan will commence in accordance with Section 401(a)(9) of the IRC. Upon the death of a Member, with a non-spouse beneficiary, the distribution must be made within five years from the Member's date of death in the form of a lump sum payment or annual fixed period installments, provided that the number of installments does not extend beyond five years from the date of the Member's death.

At any time before termination of employment, a Member may request a withdrawal subject to the provisions of the Plan and shall conform to the standards set by Plan Management. A Member who has not attained age 59 ½ may withdraw all or a portion of that Member's before-tax savings provided the Member has an immediate and heavy financial need and the withdrawal is necessary to satisfy such need as provided by the Plan.

Direct Rollover of Certain Distributions - With respect to an eligible rollover distribution, the Member or the Member's beneficiary may elect, at the time and in a manner prescribed by Plan Management for such purpose, to have the Plan make a direct rollover of all or part of such withdrawal or distribution to a maximum of two eligible retirement plans which accept such rollover.

If a Member's account balance is greater than \$1,000 but does not exceed \$5,000 and the Member fails to make an affirmative election to either receive the lump sum payment or have it directly rolled over to another qualified plan or an IRA within the thirty day election period, the account balance will be automatically rolled over to an IRA established in the Member's name.

If a Member's account balance is \$1,000 or less and the Member fails to make an affirmative election to either receive the lump sum payment or have it directly rolled over to another qualified plan or an IRA within the thirty day election period, the account balance will be automatically paid out to the Member.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

8

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties - The Plan utilizes various investment instruments, including common stock, mutual funds, common collective trusts, government securities, corporate debt and a stable asset income fund. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the values of Members' account balances and the amounts reported in the financial statements.

Investment Valuation and Income Recognition - The Plan's investments are measured at fair value except for the JP Morgan JPMCB Stable Asset Income Fund ("SAIF") which is stated at fair value and then adjusted to contract value (Note 5). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). A more detailed description of the individual types of securities can be found in Note 3.

In accordance with GAAP, the SAIF is included at fair value in participant-directed investments in the Statements of Net Assets Available for Benefits, and an additional line item is presented representing the adjustment from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is presented on a contract value basis.

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

Management fees and operating expenses charged to the Plan for investments in the registered investment companies are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments.

Contributions Receivable - The Plan accrues contributions receivable based on the period of Members' service to the Company.

Expenses - The Plan pays for the trustee and administrative expenses of the Plan up to 0.25% of the market value of trust assets. In 2013, the Plan incurred trustee and administrative expenses which equal 0.10% of trust assets. These expenses are limited to services provided by unrelated vendors to the Company. The Company pays Plan trustee and administrative expenses which are not paid by the Plan. Certain administrative functions are performed by employees of the Company (who may also be Members in the Plan). No such employee receives compensation from the Plan.

In addition to the trustee and administrative expense charges, an investment management fee is charged by the majority of the investment funds. These investment management fees are included in the net asset value ("NAV") of the fund calculated by the investment manager of the respective fund and are reflected as a reduction of investment return for such investments.

Distributions to Members - Payments to Members are recorded upon distribution. There were no Members who elected to withdraw from the Plan, but had not yet been paid at December 31, 2013 and 2012. Additionally, for loans declared in default the principal and accrued interest are recorded as a distribution.

Notes Receivable from Members - Notes Receivable from Members (a "loan") are recorded at their unpaid principal balance plus any accrued but unpaid interest. In the event that a Member fails to make timely loan repayments, the loan may be considered to be in default. In the event default is declared, the outstanding loan balance and any accrued interest may be treated as a withdrawal prior to termination of employment subject to the withdrawal provisions outlined in the Plan.

Plan Mergers - Plan assets received as a result of a plan merger are recorded in accordance with the effective date of the transfer.

Note 3. Fair Value Measurements

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 at the measurement date. We use a hierarchical structure to prioritize the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), then to quoted market prices for similar assets or liabilities in active markets (Level 2) and gives the lowest priority to unobservable inputs (Level 3). The assets within a particular fund are classified in their entirety, based on the lowest level of input that is significant to the fair value measurement.

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

The following is a description of the valuation methodologies and inputs used to measure fair value for major categories of investments.

Equities and Other Common Shares - Common and preferred stock are valued at the closing price reported on the major market on which the individual securities are traded at the measurement date. The Xylem Stock Fund invests primarily in the Company's common stock, which is traded on the New York Stock Exchange ("NYSE") under the ticker symbol XYL and is valued at its NAV. The NAV of the Xylem Stock Fund is computed based on the closing price of the Company's common stock reported by the NYSE at the measurement date, plus the NAV of the short-term money market fund included in the Xylem Stock Fund, divided by the number of units outstanding. The money market fund portion of the Xylem Stock Fund provides liquidity, which enables the Plan Members to transfer money daily among all investment choices. These securities are classified in Level 1 of the fair value hierarchy.

Brokerage Accounts - Securities held in the JPMSDA are valued at the closing price reported on the major market on which the individual securities are traded at the measurement date. These securities are classified in Level 1 of the fair value hierarchy.

Mutual Funds - Mutual funds of registered investment companies are publicly traded in active markets and valued at the closing price reported on those major markets as of the measurement date. Generally, fair value is measured at NAV. Mutual funds are classified within Level 1 of the fair value hierarchy.

Common Collective Trusts ("CCTs") - CCTs 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. CCTs invest in debt and equity securities, the mix of which varies by fund, and report NAV as of the measurement date. Fair value is estimated based on the NAV practical expedient method. The practical expedient enables an entity holding investments in certain entities that calculate NAV per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share or its equivalent without adjustment. There are no unfunded commitments related to the CCTs and investments in CCTs can be redeemed on a daily basis. CCTs are classified in Level 2 of the fair value hierarchy.

Other Managed Accounts - The Other Managed Accounts are separately managed accounts ("SMAs") with specific investment objectives, managed by professional investment managers. SMAs invest in corporate debt, equity securities, government securities and other investments, the mix of which varies by fund. The NAV is reported as of the measurement date as determined by the Plan trustee or their agent. The NAV is computed based on the closing price of the underlying holdings adjusted for investment management and performance fees. SMAs are classified in Level 2 of the fair value hierarchy.

While the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. There have been no changes in the methodologies used at December 31, 2013 and 2012.

The following table sets forth by level within the fair value hierarchy a summary of the Plan's investments measured at fair value at December 31, 2013.

(in thousands)	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2) *	Significant Unobservable Inputs (Level 3)	Total
Equities				
Employer Securities	\$ 14,227	\$—	\$—	\$14,227
Brokerage	861	—	—	861
Mutual Funds				
Inflation-Adjusted Bond Fund	846	—	—	846
Growth Fund	4,173	—	—	4,173
New Perspective Fund	19,754	—	—	19,754
Emerging Markets Fund	716	—	—	716
Small Cap Growth Fund	6,220	—	—	6,220
Large Cap Growth Fund	13,154	—	—	13,154
Value Fund	9,752	—	—	9,752
Mid Cap Blend Fund	3,199	—	—	3,199
Small Cap Value Fund	6,452	—	—	6,452
Bond Market Index Fund	6,305	—	—	6,305
International Stock Index Fund	6,851	—	—	6,851
Common Collective Funds				
Asset Allocation Funds (a)	—	58,299	—	58,299
Stable Asset Income Fund (b)	—	34,081	—	34,081
Other Managed Funds				
Balanced Fund (c)	—	16,099	—	16,099
U.S. Smart Index Fund (d)	—	31,767	—	31,767
Long-term Bond Fund (e)	—	6,396	—	6,396
Totals	\$ 92,510	\$ 146,642	\$—	\$ 239,152

The following table sets forth by level within the fair value hierarchy a summary of the Plan's investments measured at fair value at December 31, 2012.

(in thousands)	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2) *	Significant Unobservable Inputs (Level 3)	Total
Equities				
Employer Securities	\$ 13,093	\$—	\$—	\$13,093
Brokerage	647	—	—	647
Mutual Funds				
Inflation-Adjusted Bond Fund	1,396	—	—	1,396
Growth Fund	2,710	—	—	2,710
New Perspective Fund	15,384	—	—	15,384
Emerging Markets Fund	205	—	—	205
Small Cap Growth Fund	3,666	—	—	3,666
Large Cap Growth Fund	9,052	—	—	9,052
Value Fund	7,011	—	—	7,011
Mid Cap Blend Fund	639	—	—	639
Small Cap Value Fund	3,531	—	—	3,531
Bond Market Index Fund	4,756	—	—	4,756
International Stock Index Fund	3,304	—	—	3,304
Common Collective Funds				
Asset Allocation Funds (a)	—	44,007	—	44,007
Stable Asset Income Fund (b)	—	31,972	—	31,972
Other Managed Funds				
Balanced Fund (c)	—	12,194	—	12,194
U.S. Smart Index Fund (d)	—	21,349	—	21,349
Long-term Bond Fund (e)	—	8,402	—	8,402
Totals	\$ 65,394	\$117,924	\$—	\$183,318

* The fair values of the Level 2 investments have been estimated using the NAV of the investment. These investments have a daily redemption frequency, no unfunded commitments, no redemption notice period and no other redemption restrictions.

The Asset Allocation Funds are target date retirement funds, made up of multiple asset classes with observable inputs including a combination of equity, fixed income, real estate and short-term investment vehicles. The funds (a) are meant to align with an expected retirement date. The investment allocation within each fund will likely change over time in order to maintain optimal portfolio construction. The funds will become increasingly more conservative as the target retirement date approaches.

The Stable Asset Income Fund seeks to preserve the value of money invested, perform better than the average (b) money market fund and earn consistent reliable returns. The fund invests in a variety of high quality, interest-paying securities offered with a companion investment contract called a "benefit responsive wrap".

The Balanced Fund's objective is long-term appreciation while controlling risk through active asset allocation. The equity sector can range from 40% to 75% of the portfolio. The opportunistic style of management looks for (c) companies that have the best trade-off between earnings growth and attractive valuation characteristics. The fixed income sector of the portfolio is focused on high quality bonds and is actively managed with respect to duration.

This means the fund will alter the duration of the bond portfolio depending on the interest rate outlook.

(d)

The U.S. Smart Index Fund seeks to provide capital appreciation from a portfolio of large-company U.S. stocks. The fund is comprised of 250-400 large-cap stocks from the S&P 500 Index and offers the benefits of active investment management while maintaining a risk profile similar to that of the S&P 500 Index. The fund excludes stocks in the S&P 500 Index that research shows are most likely to under perform, and diversifies across industry sectors to help minimize market volatility.

The Long-Term Bond Fund invests in a diversified portfolio of fixed securities and sectors. It is designed for (e)investors who seek a steady flow of income from high quality securities and want to direct part of their overall investment mix to bonds for income that has the potential to compound over time.

Note 4. Investments

The following table presents investments that are 5% or more of the Plan's net assets available for benefits at December 31, 2013 and 2012:

(in thousands)	2013	2012
JPMCB Stable Asset Income Fund	\$34,081	\$31,972
JP Morgan US Smart Index Fund	31,767	21,349
American Funds New Perspective Fund	19,754	15,384
Jennison Dryden Balanced Fund	16,099	12,194
Xylem Stock Fund	14,227	13,093
JPMorgan Large Cap Growth Fund	13,154	*
JPMCB SmartRetirement 2020-C10	13,122	11,055

* Represents less than 5% of the Plan's net assets

For the year ended December 31, 2013, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

(in thousands)	
Equities	
Employer Securities	\$3,177
Brokerage	209
Mutual Funds	
Inflation-Adjusted Bond Fund	(147)
Growth Fund	645
New Perspective Fund	3,170
Emerging Markets Fund	(21)
Small Cap Growth Fund	1,466
Large Cap Growth Fund	3,192
Value Fund	2,050
Mid Cap Blend Fund	574
Small Cap Value Fund	1,090
Bond Market Index Fund	(298)
International Stock Index Fund	636
Common Collective Funds	
Asset Allocation Funds	8,088
Stable Asset Income Fund	503
Other Managed Funds	
Balanced Fund	2,571
US Smart Index Fund	7,681
Long-term Bond Fund	(121)
Net appreciation in fair value of investments	\$34,465

Note 5. Stable Asset Income Fund

The SAIF is a common collective trust fund that is considered to be a stable value fund with underlying investments in investment contracts and is valued at fair value and then adjusted by the issuer to contract value. Fair value of the SAIF is the NAV of its underlying investments and the contract value is principal plus accrued interest. Individual Member accounts invested in the SAIF are maintained on a unit value basis. Members do not have beneficial ownership in specific underlying securities or other assets in the various funds, but have an interest therein represented by units valued as of the last business day of the period. Members can ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. Contract value represents contributions made to the SAIF, plus earnings, less Member withdrawals and administrative expenses.

The SAIF is primarily comprised of investment contracts called benefit responsive wraps (“wrap contracts”) that are issued by banks and insurance companies. The wrap contracts help to stabilize the value and returns of the SAIF. These contracts are backed by fixed income portfolios that primarily consist of U.S. Treasury, agency, investment grade corporate, mortgage-backed and asset-backed securities. The SAIF’s primary objective is to seek to provide capital preservation, liquidity and current income at levels that are typically higher than those provided by money market funds. The SAIF also invests in other collective investment trust funds and a separate account established, operated and maintained by JP Morgan and other third party advisers. The investment objectives of these underlying investment vehicles are as follows:

The Commingled Pension Trust Fund (Intermediate Bond) of JP Morgan seeks to generate positive total returns over a 1-3 year horizon with consistent income.

The Commingled Pension Trust Fund (Mortgage Private Placement) of JP Morgan seeks to outperform the Barclays U.S. Aggregate Index, primarily through investments in higher yielding, directly placed mortgages, mortgage-related private placements, unregistered securities and public securities, and asset-backed receivables.

The Commingled Pension Trust Fund (Liquidity) of JP Morgan invests primarily in traditional money market investments, with the goal of current income, preservation of principal, providing liquidity and maintaining a stable NAV.

Metlife Separate Account is maintained to provide long-term total return in excess of the Barclays U.S. Intermediate Aggregate Bond Index.

Prudential Core Conservative Intermediate Bond Fund seeks to outperform the Barclays U.S. Intermediate Aggregate Bond Index by 25 basis points over a full market cycle.

The SAIF imposes certain restrictions on the Plan, and the SAIF itself may be subject to circumstances that affect its ability to transact at contract value. Plan Management believes that the occurrence of events that would cause the SAIF to transact at less than contract value is not probable.

Limitations on the Ability of the SAIF to Transact at Contract Value:

Restrictions on the Plan - Member-initiated transactions are those transactions allowed by the Plan, including withdrawals for benefits, loans or transfers to noncompeting funds within a plan, but excluding withdrawals that are deemed to be caused by the actions of the Plan Sponsor. The transfer of assets from SAIF directly into a competing option is prohibited without a 90-day equity wash rule and may limit the ability of SAIF to transact at contract value. The following employer-initiated events may limit the ability of the SAIF to transact at contract value:

A failure of the Plan or its trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA;

Any communication given to Plan Members designed to influence a Member not to invest in the SAIF or to transfer assets out of the SAIF;

The establishment of a defined contribution plan that competes with the Plan for employee contributions; and

Complete or partial termination of the Plan or its merger with another plan.

Circumstances that affect the SAIF - In a typical wrap contract, the wrap issuer agrees to pay a portfolio the difference between the contract value and the market value of the underlying assets once the market value has been totally exhausted. The wrap contracts generally contain provisions that limit the ability of the SAIF to transact at contract

value upon the occurrence of certain events. These events include:

• Any substantive modification of the SAIF or the administration of the SAIF that is not consented to by the wrap issuer;

Any change in law, regulation, or administrative ruling applicable to a plan that could have a material adverse effect on the SAIF's cash flow; and

Employer-initiated transactions by participating plans as described above.

In the event that wrap contracts fail to perform as intended, the SAIF's NAV may decline if the market value of its assets decline. The SAIF's ability to receive amounts due pursuant to these wrap contracts is dependent on the third-party issuer's ability to meet their financial obligations. The wrap issuer's ability to meet its contractual obligations under the wrap contracts may be affected by future economic and regulatory developments.

The SAIF is unlikely to maintain a stable NAV if for any reason it cannot obtain or maintain wrap contracts covering all of its underlying assets. This could result from any number of reasons including but not limited to, the SAIF's inability to promptly find a replacement wrap contract following termination of a wrap contract. Wrap contracts are not transferable and have no trading market. There are a limited number of wrap issuers. The SAIF may lose the benefit of wrap contracts on any portion of its assets in default in excess of a certain percentage of portfolio assets.

Note 6. Exempt Party-In-Interest Transactions

As detailed in the attached Schedule H, certain plan investments are funds managed by JP Morgan. JP Morgan is the trustee as defined by the Plan and JP Morgan Retirement Plan Services is the record keeper. Therefore, the following tables present investment balances and transactions that qualify as party-in-interest.

(in thousands)	December 31,	
	2013	2012
Fair Value of Funds maintained by JP Morgan:		
Common collective funds	\$92,380	\$75,979
Other managed accounts	38,163	29,751
Mutual funds	13,154	9,052

(in thousands)	2013
Fees paid for services provided by JP Morgan:	
Administrative services	\$7
Trustee Services	45

At December 31, 2013 and 2012, the Plan held 407,281 and 477,589 shares outstanding of common stock of the Company, respectively, with a cost basis of \$6.9 million and \$7.9 million, respectively. During 2013, the Plan recorded related net appreciation of \$3.2 million on Company stock.

Member loans also qualify as party-in-interest transactions and amounted to \$5.4 million and \$4.5 million at December 31, 2013 and 2012, respectively.

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

Note 7. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event that the Plan is terminated, Member account balances would not be impacted, since all contributions and related earnings are immediately vested.

Note 8. Federal Income Tax Status

The Plan became effective October 31, 2011, and a request for an Internal Revenue Service ("IRS") determination letter that the Plan and related trust are 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 and Plan management believes that the Plan is designed, and is currently being operated,

in compliance with the applicable requirements of the IRC, and the Plan and the related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements. GAAP requires Plan Management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods since the Plan became effective.

Note 9. Subsequent Events

On June 9, 2014, the Pension Fund Trust and Investment Committee of the Company passed a resolution to convert several unitized funds to mutual funds of the same asset class with comparable historical performance, in an effort to minimize fees and provide more transparency to fund information. The changes are planned to be completed during July 2014.

On April 3, 2014, JP Morgan announced an agreement to sell its large market 401(k) record keeping business, J.P. Morgan Retirement Plan Services, to Great-West Financial. Pending regulatory approval, the transaction is expected to close during the third quarter of 2014.

Note 10. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of notes receivable from Members per the statements of net assets available for benefits to notes receivable from Members per Form 5500 as of December 31, 2013 and 2012:

(in thousands)	2013	2012
Notes receivable from Members per the statements of net assets available for benefits	\$5,448	\$4,483
Less: amounts deemed distributed for tax purposes	(161) (149
Notes receivable from Members per Form 5500	\$5,287	\$4,334

The following is a reconciliation of deemed distributions per the statement of changes in net assets available for benefits to the Form 5500 for the year ended December 31, 2013:

(in thousands)	2013
Deemed distributions per the statement of changes in net assets available for benefits	\$—
Add: amounts deemed distributed for tax purposes - December 31, 2013	161
Less: amounts deemed distributed for tax purposes - December 31, 2012	(149
Deemed distributions to Members per Form 5500	\$12

The following is a reconciliation of net assets available for benefits per the statements of net assets available for benefits to the Form 5500 as of December 31, 2013 and 2012:

(in thousands)	2013	2012
Net assets available for benefits per the financial statements	\$248,791	\$191,531
Add: adjustment from fair value to contract value for fully benefit responsive investment contracts	(71) 572
Less: amounts deemed distributed for tax purposes	(161) (149
Net assets available for benefits per the Form 5500	\$248,559	\$191,954

The following is a reconciliation of the increase in net assets per the statement of changes in net assets available for benefits to the net loss per the Form 5500 for the year ended December 31, 2013:

(in thousands)	2013	
Increase in net assets available for benefits per the financial statements	57,260	
Add: change in the adjustment from fair value to contract value for fully benefit responsive investment contracts	(643)
Less: amounts deemed distributed for tax purposes - December 31, 2013	(161)
Add: amounts deemed distributed for tax purposes - December 31, 2012	149	
Net income per Form 5500	\$56,605	

XYLEM RETIREMENT SAVINGS PLAN
 SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
 AS OF DECEMBER 31, 2013

EIN#: 45-2080495
 PN: 001

(a)	(b) Identity of Issuer, Borrower, Lesser or Similar Party	(c) Description of Investment, including Maturity Date, Rate of Interest, Collateral, and Par or Maturity Value	(d) Cost	(e) Current Value
*	Xylem Stock Fund	Common Stock	**	\$ 14,227,055
*	Brokerage Account	Self-directed Brokerage Securities	**	861,063
	American Century Inflation-Adjusted Bond Fund	Registered Investment Company	**	846,498
	American Funds EuroPacific Growth Fund	Registered Investment Company	**	4,173,338
	American Funds New Perspective Fund	Registered Investment Company	**	19,753,458
	DFA Emerging Markets	Registered Investment Company	**	716,152
	Eagle Small Cap Growth Fund	Registered Investment Company	**	6,220,037
*	JP Morgan Large Cap Growth Fund	Registered Investment Company	**	13,154,013
	Loomis Sayles Value Fund	Registered Investment Company	**	9,751,718
	Principal Mid Cap Blend Fund	Registered Investment Company	**	3,198,587
	Target Small Cap Value Portfolio	Registered Investment Company	**	6,452,214
	Vanguard Total Bond Market Index Fund	Registered Investment Company	**	6,304,802
	Vanguard Total International Stock Index Fund	Registered Investment Company	**	6,851,260
*	JPMCB SmartRetirement 2015-C10	Common Collective Trust	**	6,077,907
*	JPMCB SmartRetirement 2020-C10	Common Collective Trust	**	13,122,188
*	JPMCB SmartRetirement 2025-C10	Common Collective Trust	**	9,349,759
*	JPMCB SmartRetirement 2030-C10	Common Collective Trust	**	11,331,786
*	JPMCB SmartRetirement 2035-C10	Common Collective Trust	**	5,986,719
*	JPMCB SmartRetirement 2040-C10	Common Collective Trust	**	4,315,597
*	JPMCB SmartRetirement 2045-C10	Common Collective Trust	**	2,341,447
*	JPMCB SmartRetirement 2050-C10	Common Collective Trust	**	1,478,398
*	JPMCB SmartRetirement Income-C10	Common Collective Trust	**	4,295,059
*	JPMCB Stable Asset Income Fund	Common Collective Trust	**	34,081,319
	Jennison Dryden Balanced Fund	Other Managed Fund	**	16,098,944
*	JP Morgan US Smart Index Fund	Other Managed Fund	**	31,766,472
*	JP Morgan Long Term Bond Fund	Other Managed Fund	**	6,396,461
		Total Investments		\$239,152,251
		Notes receivable from Members at interest rates from 3.25% to 10.50% maturing at various dates through 2028, net of deemed distributions of \$160,858		\$5,287,357

* Represents party-in-interest to the Plan.

** Cost information is not required for Member directed investments and, therefore, is not included.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Benefits Administration Committee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

XYLEM RETIREMENT SAVINGS PLAN

Date: June 25, 2014

By: /s/ Rhonda P. McKeever
Rhonda P. McKeever
Vice President, Total Rewards
Chair, Benefits Administration Committee
(Plan Administrator)