Watson Wyatt Worldwide, Inc.
Form 10-Q
February 06, 2009
Table of Contents

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

FORM 10-Q

(Mark One)

x	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the quarterly period ended December 31, 2008
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the transition period from to

Commission File Number: 001-16159

WATSON WYATT WORLDWIDE, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**52-2211537**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
901 N. Glebe Road Arlington, VA	**22203**

(Address of principal executive offices)	(zip code)

(703) 258-8000

(Registrant s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer and accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of January 31, 2009.

Class	**Outstanding at January 31, 2009**
Class A Common Stock, $.01 par value per share	42,594,415 shares

Table of Contents

WATSON WYATT WORLDWIDE, INC.
INDEX TO FORM 10-Q

For the Three and Six Months Ended December 31, 2008

Table of Contents

WATSON WYATT WORLDWIDE, INC.

Condensed Consolidated Statements of Operations

(Thousands of U.S. Dollars, Except Per Share Data)

(Unaudited)

	Three months ended December 31, 2008	Three months ended December 31, 2007	Six months ended December 31, 2008	Six months ended December 31, 2007
Revenue	$ 436,389	$ 447,032	$ 862,515	$ 848,719
Costs of providing services:				
Salaries and employee benefits	246,648	249,073	482,527	468,436
Professional and subcontracted services	25,564	29,293	51,879	54,820
Occupancy, communications and other	46,316	49,307	96,313	93,232
General and administrative expenses	43,206	41,791	87,093	86,096
Depreciation and amortization	18,870	17,626	37,734	34,960
	380,604	387,090	755,546	737,544
Income from operations	55,785	59,942	106,969	111,175
Income (Loss) from affiliates	1,070	(1,499)	2,765	(574)
Interest expense	(1,059)	(1,969)	(1,628)	(4,227)
Interest income	322	927	1,353	2,771
Other non-operating income	1,699	186	1,680	275
Income before income taxes	57,817	57,587	111,139	109,420
Provision for income taxes	18,266	20,806	36,428	38,195
Net income	$ 39,551	$ 36,781	$ 74,711	$ 71,225
Earnings per share:				
Net income - Basic	$ 0.93	$ 0.87	$ 1.75	$ 1.68
Net income - Diluted	$ 0.93	$ 0.82	$ 1.75	$ 1.60
Weighted average shares of common stock, basic (000)	42,571	42,338	42,753	42,313
Weighted average shares of common stock, diluted (000)	42,616	44,649	42,804	44,652

See accompanying notes to the
condensed consolidated financial statements

Table of Contents

WATSON WYATT WORLDWIDE, INC.

Condensed Consolidated Balance Sheets

(Thousands of U.S. Dollars, Except Share Data)

(Unaudited)

	December 31, 2008	June 30, 2008
Assets		
Cash and cash equivalents	$ 73,878	$ 124,632
Receivables from clients:		
Billed, net of allowances of $8,965 and $8,544	231,660	239,593
Unbilled, at estimated net realizable value	114,368	126,163
	346,028	365,756
Deferred income taxes	19,324	18,576
Other current assets	59,845	48,523
Total current assets	499,075	557,487
Investment in affiliates	17,430	8,526
Fixed assets, net	176,347	184,684
Deferred income taxes	71,768	72,572
Goodwill	504,164	634,176
Intangible assets, net	175,742	236,767
Other assets	13,688	21,764
Total Assets	$ 1,458,214	$ 1,715,976
Liabilities		
Accounts payable and accrued liabilities, including discretionary compensation	$ 275,236	$ 381,784
Income taxes payable and deferred	3,251	3,462
Total current liabilities	278,487	385,246
Revolving credit facility	60,641	
Accrued retirement benefits	201,669	209,168
Deferred rent and accrued lease losses	29,298	29,239
Deferred income taxes and other long term tax liabilities	11,714	13,430
Other noncurrent liabilities	74,273	94,498
Total Liabilities	656,082	731,581
Commitments and contingencies		
Stockholders Equity		
Preferred Stock - No par value: 1,000,000 shares authorized; none issued and outstanding		
Class A Common Stock - $.01 par value: 99,000,000 shares authorized; 43,813,451 and 43,813,451 issued and 42,584,049 and 43,578,268 outstanding	438	438
Additional paid-in capital	453,630	456,681
Treasury stock, at cost - 1,229,402 and 235,183 shares	(67,290)	(13,222)
Retained earnings	543,283	474,961
Accumulated other comprehensive (loss)/income	(127,929)	65,537
Total Stockholders Equity	802,132	984,395
Total Liabilities and Stockholders Equity	$ 1,458,214	$ 1,715,976

See accompanying notes to the
condensed consolidated financial statements

Table of Contents

WATSON WYATT WORLDWIDE, INC.

Condensed Consolidated Statements of Cash Flows

(Thousands of U.S. Dollars)

(Unaudited)

	Six months ended December 31, 2008	Six months ended December 31, 2007
Cash flows from operating activities:		
Net income	$ 74,711	$ 71,225
Adjustments to reconcile net income to net cash (used in)/from operating activities:		
Provision for doubtful receivables from clients	3,481	7,706
Depreciation	30,329	26,948
Amortization of intangible assets	7,405	8,012
Provision for (benefit from) deferred income taxes	56	2,024
(Income)/loss from affiliates	(2,765)	574
Other, net	2,485	1,379
Changes in operating assets and liabilities, net of business acquisitions		
Receivables from clients	16,247	(29,215)
Other current assets	(11,322)	(13,921)
Other assets	4,831	727
Accounts payable and accrued liabilities	(92,291)	(26,682)
Income taxes payable	214	1,431
Accrued retirement benefits	(7,500)	4,308
Deferred rent and accrued lease losses	59	(2,320)
Other noncurrent liabilities	(22,238)	(3,924)
Cash flows from operating activities:	3,702	48,272
Cash flows used in investing activities:		
Business acquisitions and contingent consideration payments	(518)	(134,748)
Purchases of fixed assets	(19,045)	(12,844)
Capitalized software costs	(10,322)	(12,256)
Investment in affiliates	(2,041)	(1,914)
Distribution from affiliates	118	
Contingent proceeds from divestitures	1,680	275
Cash flows used in investing activities:	(30,128)	(161,487)
Cash flows used in financing activities		
Borrowings under Credit Facility	60,641	2,000
Dividends paid	(6,389)	(6,360)
Repurchases of common stock	(77,442)	(28,282)
Issuances of common stock and excess tax benefit	3,439	7,504
Cash flows used in financing activities	(19,751)	(25,138)
Effect of exchange rates on cash	(4,577)	(6,250)
Decrease in cash and cash equivalents	(50,754)	(144,603)
Cash and cash equivalents at beginning of period	124,632	248,186
Cash and cash equivalents at end of period	$ 73,878	$ 103,583
Supplemental disclosures:		
Cash paid for interest	$ 1,650	$ 4,227
Cash paid for income taxes, net of refunds	$ 31,411	$ 33,808

See accompanying notes to the
condensed consolidated financial statements

Table of Contents

WATSON WYATT WORLDWIDE, INC.

Condensed Consolidated Statement of Changes in Stockholders Equity

(Thousands of U.S. Dollars, Except Share Data)

(Unaudited)

	Class A Common Stock Outstanding (number of shares, in thousands)	**Class A Common Stock**	**Additional Paid-in Capital**	**Treasury Stock, at Cost**	**Retained Earnings**	**Accumulated Other Comprehensive Income/(loss)**	**Total**
Balance at June 30, 2008	43,578	$ 438	$ 456,681	$ (13,222)	$ 474,961	$ 65,537	$ 984,395
Comprehensive loss:							
Net income					74,711		74,711
Foreign currency translation adjustment, net of tax						(193,466)	(193,466)
Total comprehensive loss							(118,755)
Cash dividends declared					(6,389)		(6,389)
Repurchases of common stock	(1,418)			(77,442)			(77,442)
Issuances of common stock and excess tax benefit	424		(3,051)	23,374			20,323
Balance at December 31, 2008	42,584	$ 438	$ 453,630	$ (67,290)	$ 543,283	$ (127,929)	$ 802,132

See accompanying notes to the
condensed consolidated financial statements

Table of Contents

WATSON WYATT WORLDWIDE, INC.

Notes to the Condensed Consolidated Financial Statements
(Tabular amounts are in thousands, except per share data)

(Unaudited)

Note 1 Basis of Presentation.

The accompanying unaudited quarterly condensed consolidated financial statements of Watson Wyatt Worldwide, Inc. and our subsidiaries (collectively referred to as we, Watson Wyatt, Watson Wyatt Worldwide or the company) are presented in accordance with the rules and regulations of the Securities and Exchange Commission (SEC) for quarterly reports on Form 10-Q and therefore do not include all of the information and footnotes required by U.S. generally accepted accounting principles. In the opinion of management, these condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair presentation of the condensed consolidated financial statements and results for the interim periods. All intercompany accounts and transactions have been eliminated in consolidation. The condensed consolidated financial statements should be read together with the audited consolidated financial statements and notes thereto contained in the company s Annual Report on Form 10-K for the fiscal year ended June 30, 2008, which is filed with the SEC and may be accessed via EDGAR on the SEC s web site at www.sec.gov. The year-end balance sheet data was derived from audited financial statements.

Our fiscal year 2009 began July 1, 2008 and ends June 30, 2009.

The results of operations for the six months ended December 31, 2008 are not necessarily indicative of the results that can be expected for the entire fiscal year ending June 30, 2009. The results reflect certain estimates and assumptions made by management including estimated bonuses and anticipated tax liabilities that affect the amounts reported in the condensed consolidated financial statements and related notes.

Note 2 Business Acquisitions.

The company s acquisition strategy identifies potential acquisitions that strengthen our geographic delivery of services to clients or enhance practices in various parts of the world. Acquisition candidates are evaluated on their cultural consistency with Watson Wyatt values within the company s strategy. When those conditions are met, the company values potential acquisitions so as to be accretive to earnings.

Assets acquired and liabilities assumed as a result of our acquisitions are recorded at their respective fair values as of the business combination date. The determination of estimated fair value requires management to make significant estimates and assumptions.

Acquisitions that we have completed include the following:

Dr. Dr. Heissmann GmbH

On July 20, 2007, the company acquired the outstanding stock of Dr. Dr. Heissmann GmbH (Heissmann) for approximately $136 million (99 million) in cash plus approximately $1.4 million in transaction costs. Heissmann was an actuarial, benefits, and human resources consulting firm based in Germany with subsidiaries in Ireland, Netherlands, Austria, and France. As of July 20, 2007, Heissmann employed approximately 360 associates. The financial results of Heissmann have been consolidated into the company s financial statements since the date of acquisition.

Table of Contents

WisdomNet

On July 2, 2007, the company acquired the net assets of WisdomNet for $6.9 million in cash and stock, including the payoff of $0.5 million of debt. WisdomNet was a Denver-based talent management software and consulting firm that was founded in 2001. WisdomNet offered a proprietary line of business software products, including an end-to-end solution for managing organizations talent management processes. The acquisition of WisdomNet strengthens our existing talent management business and provides strategic software that will be used to service our clients on an ongoing basis. As of the date of the acquisition, WisdomNet employed 15 associates. The company recorded $2.6 million of goodwill associated with this acquisition.

Marcu & Asociados S.A.

On June 16, 2008, the company acquired the outstanding stock of Marcu & Asociados S.A. (Marcu) for $2.8 million in cash. Marcu is a human resource, risk and financial management consulting firm based in Buenos Aires, Argentina. As of the date of acquisition, Marcu employed 37 associates and had annual revenues of approximately $2.5 million. The financial results of Marcu are included in the company s consolidated financial statements effective July 1, 2008. The company recorded $1.6 million of goodwill associated with this acquisition.

Watson Wyatt Netherlands

On February 1, 2007, Watson Wyatt B.V., an indirect wholly-owned subsidiary of the company, acquired the net assets of Watson Wyatt Netherlands (WWN), its long-time alliance partner in the Netherlands. The financial results of WWN have been consolidated into the company s financial statements since February 1, 2007.

The contingencies associated with the payment of an additional 218,089 Class A shares were met and the contingent shares were issued to the former partners of WWN on June 27, 2008.

Watson Wyatt LLP

On July 31, 2005, the company acquired substantially all of the assets and assumed most liabilities of Watson Wyatt LLP (WWLLP) (the WWLLP business combination), a leading United Kingdom-based actuarial, benefits and human resources consulting partnership. The financial results of WWLLP have been consolidated into the company s financial statements since August 1, 2005.

In addition to the initial purchase price, the terms of the purchase agreement called for an additional 1,950,000 shares to be paid to the former partners of WWLLP, contingent upon the achievement by the acquired business of certain agreed-upon financial performance goals. The agreed-upon financial performance goals were met at the end of fiscal year 2007 and the contingent shares were issued to the former partners of

WWLLP on April 15, 2008 for payment of $94.2 million.

Note 3 Segment Information.

We have five reportable operating segments or practice areas as follows:

(1) Benefits Group

(2) Human Capital Group

(3) Technology and Administration Solutions Group

(4) Investment Consulting Group

(5) Insurance & Financial Services Group

Table of Contents

Management evaluates the performance of its segments and allocates resources to them based on net operating income on a pre-bonus, pre-tax basis.

The table below presents specified information about reported segments as of and for the three months ended December 31, 2008:

	Benefits Group	Human Capital Group	Technology and Administration Solutions Group	Investment Consulting Group	Insurance and Financial Services Group	Total
Revenue (net of reimbursable expenses)	$ 239,984	$ 51,454	$ 50,992	$ 37,492	$ 34,486	$ 414,408
Net operating income	71,606	10,110	14,419	8,411	10,065	114,611
Receivables	233,279	44,426	22,180	24,301	32,758	356,944

The table below presents specified information about reported segments as of and for the three months ended December 31, 2007:

	Benefits Group	Human Capital Group	Technology and Administration Solutions Group	Investment Consulting Group	Insurance and Financial Services Group	Total
Revenue (net of reimbursable expenses)	$ 244,096	$ 53,450	$ 49,570	$ 42,362	$ 30,331	$ 419,809
Net operating income	63,883	12,538	16,431	14,613	(296)	107,169
Receivables	254,893	51,140	22,557	27,881	30,301	386,772

The table below presents specified information about reported segments as of and for the six months ended December 31, 2008:

	Benefits Group	Human Capital Group	Technology and Administration Solutions Group	Investment Consulting Group	Insurance and Financial Services Group	Total
Revenue (net of reimbursable expenses)	$ 477,797	$ 101,056	$ 98,902	$ 79,599	$ 62,293	$ 819,647
Net operating income	134,796	16,952	27,279	20,930	10,899	210,856
Receivables	233,279	44,426	22,180	24,301	32,758	356,944

The table below presents specified information about reported segments as of and for the six months ended December 31, 2007:

Total

	Benefits Group	Human Capital Group	Technology and Administration Solutions Group	Investment Consulting Group	Insurance and Financial Services Group	
Revenue (net of reimbursable expenses)	$ 470,665	$ 96,164	$ 90,047	$ 82,306	$ 58,332	$ 797,514
Net operating income	120,933	18,125	24,810	28,734	1,154	193,756
Receivables	254,893	51,140	22,557	27,881	30,301	386,772

Table of Contents

Information about interest income and tax expense is not presented as a segment expense because such items are not considered a responsibility of the segments operating management.

Reconciliations of the information reported by segment to the historical consolidated amounts follow for the three and six month periods ended December 31, 2008 and 2007:

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Six Months Ended December 31, 2008	Six Months Ended December 31, 2007
Revenue:				
Total segment revenue	$ 414,408	$ 419,809	$ 819,647	$ 797,514
Reimbursable expenses and other not included in total segment revenue	11,153	15,687	20,394	28,246
All other segments	10,828	11,536	22,474	22,959
Consolidated fees	$ 436,389	$ 447,032	$ 862,515	$ 848,719
Net Operating Income:				
Total segment net operating income	$ 114,611	$ 107,169	$ 210,856	$ 193,756
Income from affiliates	1,070	(1,499)	2,765	(574)
Differences in allocation methods(1)	(3,486)	(3,120)	(6,446)	(3,585)
Discretionary compensation	(56,415)	(52,490)	(98,673)	(93,880)
All other segments	1,323	3,171	4,653	6,611
Other, net	714	4,356	(2,016)	7,092
Consolidated pretax income	$ 57,817	$ 57,587	$ 111,139	$ 109,420
Receivables:				
Total segment receivables - billed and unbilled(2)	$ 356,945	$ 386,772	$ 356,945	$ 386,772
All other segments	6,733	6,672	6,733	6,672
Net valuation differences	(17,650)	(16,142)	(17,650)	(16,142)
Total billed and unbilled receivables	346,028	377,302	346,028	377,302
Assets not reported by segment (3)	1,112,186	1,332,504	1,112,186	1,332,504
Consolidated assets	$ 1,458,214	$ 1,709,806	$ 1,458,214	$ 1,709,806

(1) General and administrative, pension, and medical costs are allocated to our segments based on budgeted expenses determined at the beginning of the fiscal year as management believes that these costs are largely uncontrollable to the segment. To the extent that the actual expense base upon which allocations are made differs from the forecast/budget amount, a reconciling item will be created between internally allocated expenses and the actual expense that we report for U.S. GAAP purposes.

(2) Total segment receivables, which reflects the receivable balances used by management to make business decisions, are included for management reporting purposes net of deferred revenues cash collections and invoices generated in excess of revenue recognized in the segment revenues.

(3) Assets not reported by segment for management reporting purposes include goodwill and intangible assets of $680 million and $844 million, as of December 31, 2008 and 2007, respectively.

Table of Contents

Note 4 Share-based Compensation.

The company has four share-based compensation plans, which are described below. These compensation plans include the 2001 Employee Stock Purchase Plan, 2001 Deferred Stock Unit Plan for Selected Employees, Amended Compensation Plan for Outside Directors and the 2000 Long-Term Incentive Plan. All four plans have been approved by stockholders.

2001 Deferred Stock Unit Plan for Selected Employees

Deferred Stock Units - The 2001 Deferred Stock Unit Plan for Selected Employees is intended to provide selected associates of the company with additional incentives by permitting the company to grant them an equity interest in the company in the form of restricted stock units, in lieu of a portion of their annual fiscal year end bonus. Shares under this plan are awarded during the first quarter of each fiscal year. During the first quarter of fiscal year 2009, 295,775 shares of common stock were awarded at an average market price of $53.92 for a total fair value of $15.9 million. During the first quarter of fiscal year 2008, 349,118 shares of common stock were awarded at an average market price of $47.63 for a total fair value of $16.6 million.

SBI Program The Performance Share Bonus Incentive Program (the SBI Program), as approved by the company s Board of Directors pursuant to the company s 2001 Deferred Stock Unit Plan for Selected Employees, is a long-term stock bonus arrangement for senior executives of the company and its affiliates. The SBI program is designed to strengthen incentives and align behaviors to grow the business in a way that is consistent with the strategic goals of the company.

Incentives under the SBI Program are provided through grants of deferred stock units pursuant to the company s 2001 Deferred Stock Unit Plan for Selected Employees. Grants of deferred stock units are based on either salary or on the value of the cash portion of the eligible participant s fiscal year-end bonus target and a multiplier, which is then converted into a target number of deferred stock units based upon the company s stock price as of the quarter end prior to grant. Participants may vest between zero and 170% of the target number of deferred stock units or between zero and 100% based on the extent to which financial and strategic performance metrics are achieved over a three fiscal year period. The financial and strategic performance metrics are established at the beginning of each performance period. For the performance periods covering fiscal years 2007 through 2009, 2008 through 2010, and 2009 through 2011, the vesting criteria are based upon growth specific metrics such as earnings per share, NOI and revenue. During the first quarter of fiscal year 2009, 44,061 shares were awarded to certain senior executive officers under the SBI 2006 plan, which represented vesting at 170% of the target number of deferred stock units.

Approximately $0.6 million of compensation expense was recorded relative to this plan during the second quarter of fiscal year 2009 compared to $0.6 million in the second quarter of fiscal year 2008.

Amended Compensation Plan for Outside Directors

In November 2001, the Board of Directors approved the Amended Compensation Plan for Outside Directors (the Outside Director s Plan) which provides for the cash and stock compensation of outside Directors. Under the Outside Director s Plan, outside Directors are initially paid in shares of the company s common stock, or in a combination of cash and shares, quarterly, at the completed quarter-end share price (which approximates fair value), for services provided during the preceding quarter. The total number of shares reserved for issuance under the Outside Director s Plan is 150,000.

Approximately $0.5 million of compensation expense was recorded relative to this plan during the first six months of fiscal year 2009 compared to $0.3 million in the first six months of fiscal year 2008.

Table of Contents

2001 Employee Stock Purchase Plan

The 2001 Employee Stock Purchase Plan (the Stock Purchase Plan) enables employees to purchase shares of the company s stock at a discount. The Stock Purchase Plan is a non-compensatory plan under FAS 123(R). As a result, no compensation expense was recognized during the first six months of fiscal years 2009 or 2008.

2000 Long-Term Incentive Plan

The company issued non-qualified stock options under the 2000 Long-Term Incentive Plan (the Stock Option Plan) in conjunction with its initial public offering in fiscal year 2001. No options have been granted under the stock option plan since March 2002 and the company does not currently intend to issue further stock options under the Stock Option Plan.

Note 5 Retirement Benefits.

Defined Benefit Plans

We sponsor both qualified and non-qualified, non-contributory defined benefit pension plans in North America and the U.K. that account for approximately 85% of our pension liability. Under our plans in North America, benefits are based on the number of years of service and the associate s compensation during the five highest paid consecutive years of service. Beginning January 2008, we made changes to our plan in the U.K. related to years of service used in calculating benefits for associates. Benefits earned prior to January 2008 are based on the number of years of service and the associate s compensation during the three years before leaving the plan and benefits earned after January 2008 are based on the number of years of service and the associate s average compensation during the associate s term of service since that date. The non-qualified plan in North America provides for pension benefits that would be covered under the qualified plan but are limited by the Internal Revenue Code. The non-qualified plan has no assets and therefore is an unfunded arrangement, the liability for which is reflected in the balance sheet. The U.K. does not have a non-qualified plan. The measurement date for all plans is June 30.

Components of Net Periodic Benefit Cost for Defined Benefit Pension Plans

The following table sets forth the components of net periodic benefit cost for the company s defined benefit pension plan for North America and the U.K. for the three and six month periods ended December 31, 2008 and 2007:

	Three Months Ended December 31,			
	2008		2007	
	North America	U.K.	North America	U.K.
Service Cost	$ 6,409	$ 1,851	$ 7,515	$ 2,750
Interest Cost	12,305	6,200	11,271	5,307
Expected Return on Plan Assets	(12,822)	(6,314)	(13,846)	(5,959)
Amortization of Transition Obligation			(17)	
Amortization of Net Loss/(Gain)	2,222	(100)	1,678	(726)
Amortization of Prior Service Cost	(565)	13	(663)	4
Net Periodic Benefit Cost	$ 7,549	$ 1,650	$ 5,938	$ 1,376

Table of Contents

	Six Months Ended December 31,							
	2008				2007			
		North America		U.K.		North America		U.K.
Service Cost	$	13,569	$	3,702	$	14,882	$	5,484
Interest Cost		24,371		12,400		22,392		10,581
Expected Return on Plan Assets		(25,648)		(12,628)		(27,629)		(11,882)
Amortization of Transition Obligation						(32)		
Amortization of Net Loss/(Gain)		4,089		(200)		3,064		(1,447)
Amortization of Prior Service Cost		(1,129)		26		(1,297)		8
Net Periodic Benefit Cost	$	15,252	$	3,300	$	11,380	$	2,744

The fiscal year 2009 net periodic benefit cost is based, in part, on the following rate assumptions as of June 30, 2008 for the North America and U.K. plans:

	North America	U.K.
Discount rate	7.00%	6.50%
Expected long-term rate of return on assets	8.75%	6.46%
Rate of increase in compensation levels	4.09%	5.65%

Employer Contributions

The company made $700,000 in contributions to North American plans during the first six months of fiscal year 2009. An additional pension contribution of $15 million was made in January 2009. We anticipate that $15.6 million will be contributed by the company to the North American pension plans over the remainder of the fiscal year.

The company made $7.1 million in contributions to the U.K. plans during the first six months of fiscal year 2009 and anticipates making $5.9 million in contributions over the remainder of the fiscal year.

Defined Contribution Plans

In the U.S., we sponsor a savings plan that provides benefits to substantially all U.S. associates. The company matches employee contributions at a rate of 50% of the first 6% up to $60,000 of associates eligible compensation. The company will also make an annual profit sharing contribution to the plan in an amount that is dependant upon the company s financial performance during the fiscal year.

The U.K. pension plan has a money purchase section to which the company makes core contributions plus additional contributions matching those of the participating employees up to a maximum rate. Contribution rates are dependant upon the age of the participant and on whether or not they arise from salary sacrifice arrangements through which an individual has taken a reduction in salary and the company has paid an equivalent amount as pension contributions. Core contributions amount to 2-6% of pensionable salary with additional matching contributions of a further 2-6%.

Table of Contents

Health Care Benefits

In the U.S., we sponsor a contributory health care plan that provides hospitalization, medical and dental benefits to substantially all U.S. associates. We accrue a liability for estimated incurred but unreported claims based on projected use of the plan as well as prior plan history.

Postretirement Benefits

We provide certain health care and life insurance benefits for retired associates. The principal plans cover associates in the U.S. and Canada who have met certain eligibility requirements. Our principal post-retirement benefit plans are unfunded. We accrue a liability for these benefits.

Components of Net Periodic Benefit Cost for Other Postretirement Plans

The following table sets forth the components of net periodic benefit cost for the company s healthcare and post-retirement plans for the three and six months ended December 31, 2008 and 2007:

	Three Months Ended December 31, 2008	2007	Six Months Ended December 31, 2008	2007
Service cost	$ 324	$ 385	$ 653	$ 770
Interest cost	687	681	1,411	1,363
Expected return on plan assets				
Amortization of transition obligation				
Amortization of net gain	(231)	(113)	(433)	(226)
Amortization of prior service cost	(166)	(166)	(332)	(332)
Net periodic benefit cost	$ 614	$ 787	$ 1,299	$ 1,575

Employer Contributions

The company made contributions in the form of premiums and medical claim payments to its healthcare and post-retirement plans of $1.1 million and $900,000 in the three months ended December 31, 2008 and 2007, respectively and contributions of $2.1 million and $1.6 million in the six months ended December 31, 2008 and 2007, respectively. We plan to make additional payments of approximately $3 million through the remainder of the fiscal year.

Table of Contents

Note 6 Goodwill and Intangible Assets.

Goodwill and intangible assets are largely denominated in the British pound and Euro and have declined in value in line with the strengthening of the US dollar. The components of goodwill and intangible assets are outlined below for the six months ended December 31, 2008:

	Benefits Group	Human Capital Group	Technology and Administration Solutions Group	Investment Consulting Group	Insurance and Financial Services Group	All Other Segments	Total
Balance as of June 30, 2008	$ 397,721	$ 35,056	$ 61,709	$ 61,977	$ 76,499	$ 1,214	$ 634,176
Goodwill acquired	176	293			49		