

Watson Wyatt Worldwide, Inc.
Form DEF 14A
October 16, 2007

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
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Check the appropriate box:

- Preliminary Proxy Statement Confidential, For Use of the
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- Definitive Proxy Statement
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Watson Wyatt Worldwide, Inc.
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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- (1) Amount previously paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:

(4)

Date Filed:

Watson Wyatt Worldwide, Inc.

901 N. Glebe Road
Arlington, Virginia 22203
Telephone: 703-258-8000
Fax: 703-258-7495

October 16, 2007

Dear Fellow Stockholder:

I am pleased to invite you to attend our Annual Meeting of Stockholders of Watson Wyatt Worldwide, Inc. to be held at the Westin Arlington Gateway, 801 North Glebe Road, Arlington, Virginia 22203, on Friday, November 16, 2007, at 9:00 a.m. EST. On the following pages you will find the notice of the 2007 Annual Meeting of Stockholders and the accompanying proxy statement.

Your vote is important. We encourage you to vote your proxy as soon as possible. You may vote over the Internet, by telephone, or by mailing a proxy. Voting over the Internet, by phone, or by written proxy will ensure your representation at the Annual Meeting regardless of whether you attend in person. Please review the instructions on the proxy card regarding each of these voting options.

Sincerely,

John J. Haley
President and Chief Executive Officer

NOTICE OF 2007 ANNUAL MEETING OF STOCKHOLDERS

Friday, November 16, 2007

The Annual Meeting of Stockholders of Watson Wyatt Worldwide, Inc. (the "Company" or "Watson Wyatt"), a Delaware corporation, will be held at the Westin Arlington Gateway, 801 North Glebe Road, Arlington, Virginia 22203 on Friday, November 16, 2007 at 9:00 a.m. (EST), for the following purposes:

1. *Elect nine Directors to serve until the next Annual Meeting of Stockholders, or until their successors are elected and qualified (Proposal No. 1);*
2. *Ratify the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2008 (Proposal 2); and*
3. *Transact such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.*

The close of business on October 1, 2007 has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the meeting.

WE STRONGLY URGE YOU TO REVIEW THE PROXY STATEMENT AND COMPLETE YOUR PROXY CARD AND VOTE YOUR SHARES AS SOON AS POSSIBLE. YOUR VOTE IS IMPORTANT NO MATTER HOW MANY SHARES YOU OWN.

TO ENSURE THAT YOUR SHARES WILL BE VOTED AT THE ANNUAL MEETING, PLEASE VOTE YOUR SHARES VIA TELEPHONE OR INTERNET, OR COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD PROMPTLY AND RETURN IT IN THE ENCLOSED ENVELOPE (IF YOU HAVE RECEIVED YOUR PROXY MATERIALS BY MAIL) AS SOON AS POSSIBLE.

By order of the Board of Directors

Walter W. Bardenwerper
Vice President, General Counsel and Secretary

Arlington, Virginia
October 16, 2007

PROXY STATEMENT

2007 ANNUAL MEETING OF STOCKHOLDERS

FRIDAY, NOVEMBER 16, 2007

This Proxy Statement, notice of the 2007 Annual Meeting of Stockholders (the "Annual Meeting"), accompanying proxy card and voting instructions are being furnished to you as a stockholder of Watson Wyatt Worldwide, Inc. (the "Company" or "Watson Wyatt"), a Delaware corporation, on or about October 16, 2007, in connection with the solicitation by the Board of Directors of the Company of proxies to be voted at our Annual Meeting to be held on Friday, November 16, 2007, at the time and place and for the purposes set forth in the notice of the Annual Meeting.

All shares of the Company's Class A Common Stock, \$.01 per share ("common stock"), that are represented by properly executed and unrevoked proxies received by the Company's selected vendor to tabulate the votes, Broadridge Financial Solutions, Inc., prior to the Annual Meeting, will be voted. The deadline for receiving proxy voting instructions by mail, telephone (1-800-690-6903) or Internet (www.proxyvote.com) is 11:59 p.m. (EST) on Thursday, November 15, 2007.

If you plan to attend the Annual Meeting, please vote your proxy card and bring it with you to the Annual Meeting. If your shares are held in the name of a bank or broker or other holder of record and you plan to attend the Annual Meeting, you must present proof of your ownership of Watson Wyatt common stock, such as a bank or brokerage account statement. If you vote in person, your vote will supersede any proxy that you previously executed.

Voting Securities and Principal Holders

Stockholders of record at the close of business on October 1, 2007 are entitled to receive this notice and to vote their shares of common stock at the Annual Meeting and at any adjournments or postponements thereof. On October 1, 2007, there were 42,478,625 shares of common stock outstanding and entitled to vote at the Annual Meeting. The common stock is the Company's only class of outstanding voting securities and entitles the holder thereof to one vote on all matters properly presented, and for each Director nominated to be elected at the Annual Meeting.

If the accompanying proxy card is properly signed and returned in the enclosed envelope (provided to stockholders who have received their proxy materials by mail), or voted via telephone or Internet, and not revoked, it will be voted. Unless contrary instructions are given, the persons designated as proxy holders on the accompanying proxy will:

- vote in favor of Proposal No. 1, to elect nine Directors to serve until the 2008 Annual Meeting of Stockholders, or until their successors are elected and qualified;
 - vote in favor of Proposal No. 2, ratify the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2008; and
 - vote in their own discretion as to any other matters that may properly come before the Annual Meeting.
-

You may revoke your proxy at any time before it is exercised by filing a revocation notice or a duly executed proxy to vote your shares bearing a later date with the Secretary of the Company at 901 N. Glebe Road, Arlington, Virginia 22203.

Quorum

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding at the close of business on October 1, 2007 will constitute a quorum. Abstentions and shares conferring authority to vote only on certain matters (broker non-votes) are counted as present and entitled to vote for purposes of determining a quorum.

Voting Requirements

Proposal No. 1: Election of Directors

Directors must be elected by a plurality of the votes of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting. Each director nominee will be elected as a director if the votes cast for each director nominee exceed the number of votes against that nominee, assuming there is a quorum present at the Annual Meeting. Thus, shares present at the Annual Meeting that are not voted for a particular nominee, shares present in person or represented by proxy where the stockholder properly withholds authority to vote for such nominee, and broker non-votes, if any, will not be counted towards such nominee's achievement of a plurality.

Proposal No. 2: Ratify the Selection of Deloitte & Touche LLP as the Company's Independent Registered Public Accounting Firm for the fiscal year ending June 30, 2008

The affirmative vote of a majority of the outstanding shares present in person or represented by proxy at the Annual Meeting and entitled to vote is required to approve Proposal No. 2, to ratify the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2008. Abstentions are considered votes cast and will have the same effect as a vote against Proposal No. 2, but broker non-votes are not considered votes cast for this proposal.

Abstentions and Broker Non-Votes

If a stockholder abstains from voting or directs the stockholder's proxy to abstain from voting on the matter, the shares are considered to have been votes cast at the meeting with respect to such matter, but since they are not affirmative votes for the matter, they will have the same effect as votes against the matter.

On the other hand, broker non-votes are not considered to have been votes cast at the Annual Meeting with respect to such matter and, therefore, have the practical effect of reducing the number of affirmative votes required to achieve a majority for such matter by reducing the total number of shares from which the majority is calculated.

In accordance with Delaware law, abstentions and broker non-votes will not be treated as votes cast with respect to election of directors, and therefore will not affect the outcome of director elections. With respect to Proposal No. 2, abstentions and broker non-votes will have the same effect as negative votes and with respect to each other matter presented at the Annual Meeting, abstentions will be treated as negative votes on such matters, while broker non-votes will not be counted in determining the outcome.

A list of stockholders will be available for inspection at least ten days prior to the Annual Meeting at the Office of the Secretary of the Company, 901 N. Glebe Road, Arlington, Virginia 22203.

Proposal No. 1: Election of Directors

The first proposal to be voted on at the Annual Meeting is the election of the following nine Directors, each of whom is recommended by the Board of Directors. Biographical information about each of these nominees is included below. Pursuant to its authority under our Amended and Restated Bylaws, the Board of Directors has set the number of Directors at nine, effective as of the Annual Meeting.

Each nominee elected will serve a one-year term expiring at the 2008 Annual Meeting of Stockholders or until his or her successor shall have been elected and qualified.

A plurality of the voting shares present in person or represented by proxy and entitled to vote at the Annual Meeting is required for the election of Directors under Proposal No. 1.

The Board of Directors recommends that stockholders vote FOR Proposal No. 1, the Election of Directors for each of the following nominees.

Director Information

The information set forth below states the name of each nominee for Director, his or her age, a listing of present and previous employment positions, the year in which he or she first became a Director of the Company and other directorships held.

John J. Gabarro (age 68) has served as a Director since 1999 and was previously a director of Watson Wyatt & Company from 1995 to 1998. Mr. Gabarro has been a professor at the Harvard Business School since 1972. Mr. Gabarro is the UPS Foundation Professor of Human Resource Management in Organizational Behavior, Emeritus, having most recently served as Baker Foundation Professor. He has taught in Harvard's MBA, Executive and Doctoral Programs. He has served as faculty chair of Harvard's International Senior Management Program and twice as head of its Organizational Behavior faculty and most recently, as faculty chair of Harvard's Advanced Management Program. Mr. Gabarro is a Trustee of Worcester Polytechnic Institute from which he received a B.S. in Mechanical Engineering. Mr. Gabarro completed his MBA, doctorate and post doctoral work at Harvard before joining its faculty.

John J. Haley (age 57) has served as President and Chief Executive Officer since January 1, 1999, Chairman of the Board since 1999 and as a Director since 1992. Mr. Haley joined Watson Wyatt in 1977. Prior to becoming President and Chief Executive Officer, he was the Global Director of the Benefits Group. Mr. Haley is a Fellow of the Society of Actuaries and is a co-author of *Fundamentals of Private Pensions* (University of Pennsylvania Press). Mr. Haley also serves on the boards of MAXIMUS, Inc., a provider of health and human services program management, consulting services and system solutions, and Hudson Highland Group, Inc., an executive search, specialty staffing and related consulting services firm. He has an A.B. in Mathematics from Rutgers College and studied under a Fellowship at the Graduate School of Mathematics at Yale University.

R. Michael McCullough (age 68) has served as a Director since 1996. Mr. McCullough retired in 1996 as Chairman and CEO of the management consulting firm Booz, Allen & Hamilton. He joined Booz, Allen & Hamilton in 1965 as a consultant, was elected a partner in the firm in 1971, became Managing Partner of the firm's Technology Center and was elected to the position of Chairman and CEO in 1984. Mr. McCullough is a member of the board of First Potomac Realty Trust, an industrial and office-industrial real estate investment trust. Mr. McCullough has a B.S. in Electrical Engineering from the University of Detroit.

Kevin L. Meehan (age 62) has served as Regional Manager (North America) since 2006, as a Vice President since 1994 and was a Director from 1999 to 2002. Mr. Meehan joined Watson Wyatt in 1983, and has been instrumental in developing our Government Consulting Services initiative, our flexible benefits operations, our Human Resources Technologies Group and our Account Management system. Mr. Meehan has been a speaker on employee benefits tax and legal issues, and has testified before the IRS, the Department of Labor and Committees of Congress on employee benefit plan issues. Mr. Meehan has a B.A. from the College of the Holy Cross and a J.D. from St. John's University Law School.

Brendan R. O'Neill (age 58) has served as a Director since July 2006. Dr. O'Neill was Chief Executive Officer and director of Imperial Chemical Industries PLC ("ICI"), a manufacturer of specialty products and paints, until April 2003. From 2003 until 2006, Mr. O'Neill was an independent director for a range of companies. Dr. O'Neill joined ICI in 1998 as its Chief Operating Officer and Director, and was promoted to Chief Executive Officer in 1999. Prior to Dr. O'Neill's career at ICI, he held numerous positions at Guinness PLC, including Chief Executive of Guinness Brewing Worldwide Ltd, Managing Director International Region of United Distillers, and Director of Financial Control. Dr. O'Neill also held positions at HSBC Holdings PLC, BICC PLC and the Ford Motor Company. He has an M.A. from the University of Cambridge and a Ph.D. in chemistry from the University of East Anglia, and is a Fellow of the Chartered Institute of Management Accountants (U.K.). Dr. O'Neill is also a director of Rank Group Plc., Tyco International Ltd., Aegis Group PLC and Endurance Specialty Holdings Ltd.

Linda D. Rabbitt (age 59) has served as a Director since 2002 and is the founder and CEO of Rand Construction Corporation, a commercial construction company founded in 1989 that specializes in building renovation and tenant build-outs. Prior to founding Rand Construction Corporation, Ms. Rabbitt was the co-founder and co-owner of Hart Construction Company, Inc., a commercial tenant construction company. From 1981 to 1985, Ms. Rabbitt was with KPMG (formerly Peat Marwick), where she was Director of Marketing from 1982 to 1985. Ms. Rabbitt is a director of Brookfield Properties. Ms. Rabbitt is also a director of the Greater Washington Board of Trade and served as its Chair in 2002. Ms. Rabbitt has also served as a director of the Economic Club of Washington, D.C., as a director of Leadership Washington, and is a trustee of the Federal City Council and of George Washington University. Ms. Rabbitt has a B.A. from the University of Michigan, Ann Arbor, and an M.A. from George Washington University.

Chandrasekhar Ramamurthy (age 51), known as Babloo Ramamurthy, has served as Vice President, Regional Manager (Europe) and served as a Director since the Company's acquisition of assets and assumption of certain liabilities of Watson Wyatt LLP in July 2005. He joined The Wyatt Company in 1977. Following the establishment of the global Watson Wyatt Worldwide alliance in 1995, Mr. Ramamurthy became a partner of Watson Wyatt LLP. Mr. Ramamurthy has been based primarily in London, although between 1983 and 1986 he transferred to the international benefits and compensation consulting team based in the New York region, where he dealt primarily with the head offices of US multinational companies. Since returning to Europe, Mr. Ramamurthy has been the account manager for a number of the firm's major clients in the UK, advising on a broad range of human capital and employee benefits issues both in the UK and overseas. Mr. Ramamurthy was the Head of the European Benefits Consulting Practice from 1999 to 2004, before being appointed Managing Partner of Watson Wyatt LLP in 2004, and has also served on Watson Wyatt LLP's Partnership Board. Mr. Ramamurthy holds an honours degree in Mathematics from King's College, London.

Gilbert T. Ray (age 63) has served as a Director since 2000. Mr. Ray was a partner of the law firm of O'Melveny & Myers LLP until his retirement in 2000. He practiced corporate law for almost three decades. He has extensive experience with corporate and tax exempt transactions, as well as international finance. Mr. Ray is a member of the boards of: Automobile Club of Southern California, a provider of emergency road and travel services and insurance; two variable annuity funds managed by SunAmerica Asset management; Sierra Monolithics Inc., a semi-conductor chip company; Advance Auto Parts Company, a retailer of automotive parts; Diamondrock Hospitality, a real estate investment trust; and IHOP Corp., a restaurant management and franchise company. Mr. Ray is also a trustee of both The John Randolph Haynes and Dora Haynes Foundation and the St. John's Health Center Foundation.

John C. Wright (age 59) has served as a Director since 2002 and is a retired partner of the accounting firm Ernst & Young. He was with Ernst & Young for almost thirty years until his retirement in 2000. Mr. Wright has extensive expertise with complex financial accounting and reporting matters, including many years of experience working on matters before the Securities and Exchange Commission. During the last ten years of Mr. Wright's career at Ernst & Young, he spent much of his time on international matters. After Ernst & Young, he served briefly as the Chief Financial Officer of Teligent, a telecommunications company, and was the Executive Vice President and Chief Financial Officer of QuadraMed Corporation, a provider of healthcare information technology solutions until 2005. Mr. Wright has a B.S. in Accounting from the University of North Carolina.

If any nominee is unable to serve as a Director at the time of the Annual Meeting, the proxies may be voted for a substitute nominee selected by the Board of Directors. Each of the nominees listed above has consented to being named as a nominee, and the Company does not know of any reason that any of the nominees listed above would

be unable to serve if elected.

Proposal No. 2: Ratify the Selection of Deloitte & Touche LLP as the Company's Independent Registered Public Accounting Firm for the fiscal year ending June 30, 2008

The Audit Committee has selected Deloitte & Touche LLP to serve as our independent registered public accounting firm for the fiscal year ending June 30, 2008. We are asking shareholders to ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm. Although ratification is not required by our Bylaws or otherwise, the Board is submitting the selection of Deloitte & Touche LLP to our stockholders for ratification because we value our stockholders' views on the Company's independent registered public accounting firm and as a matter of good corporate governance. It is intended that persons acting under the accompanying proxy will vote the shares represented thereby in favor of ratification of such selection. It is anticipated that representatives of Deloitte & Touche LLP will be present at the Annual Meeting to respond to appropriate questions and to make a statement if such representatives so desire. Deloitte & Touche LLP audited the Company's financial statements for the year ended June 30, 2007.

In the event shareholders fail to ratify the selection, it will be considered as a direction to the Board of Directors and to the Audit Committee to reconsider the selection. Even if the selection is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

The Board of Directors recommends a vote FOR Proposal No. 2 to ratify the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2008.

Corporate Governance

Code of Business Conduct and Ethics

The Company has a Code of Business Conduct and Ethics that applies to all of its employees, including the President and Chief Executive Officer, the Chief Financial Officer and the Controller. The Company also has a Code of Business Conduct and Ethics that applies to all of the Company's Directors. Both Codes are available on the Company's website at www.watsonwyatt.com under "Investor Relations." Any amendment or waiver of the Codes for executive officers and Directors will be disclosed on the Company's website at www.watsonwyatt.com under "Investor Relations." Copies of the Codes may be obtained upon request, addressed to the Secretary of the Company at 901 N. Glebe Road, Arlington, Virginia 22203.

Corporate Governance Guidelines

The Company has adopted Corporate Governance Guidelines that provide, among other things, that all Directors are expected to attend the Annual Meeting of the Company's stockholders. At the 2006 Annual Meeting of Stockholders, all of the Company's Directors were present. The guidelines are available on the Company's website at www.watsonwyatt.com under "Investor Relations." A copy may be obtained upon request, addressed to the Secretary of the Company at 901 N. Glebe Road, Arlington, Virginia 22203.

Communications with the Board or Presiding Director

It is the policy of the Company to facilitate communications of security holders and other interested parties with the Board of Directors and the Company's Presiding Director. Communications to Directors of the Company must be in writing and may be sent to any Director, in care of the Secretary of the Company at 901 N. Glebe Road, Arlington, Virginia 22203. Communications may be sent by email to all Directors as a group or to the Presiding Director using the e-mail addresses posted by the Company on its web site at www.watsonwyatt.com under "Investor Relations." Communications should identify the person submitting the communication, the interest of such person in the subject matter of the communication, and the address, telephone number and email address of the person submitting the communication. Each communication will be forwarded to the Director(s) to whom it is addressed. The Board has authorized the Company's Secretary to adopt reasonable procedures for collecting and distributing communications to Directors. If such procedures are adopted, they will be made available on the

Company's website at www.watsonwyatt.com under "Investor Relations."

Presiding Director

The Company's Board of Directors has designated R. Michael McCullough as the Presiding Director of all executive sessions of the independent Directors of the Board.

Nominees for Director

The Nominating and Governance Committee makes recommendations to the Board concerning individuals who are qualified to stand for election as Directors. The Nominating and Governance Committee seeks individuals with a broad and diverse range of skills who have demonstrated the highest levels of personal and business integrity and sound business judgment, particularly in professional services industries. The Nominating and Governance Committee will consider suggestions of possible nominees for Director from the Board of Directors and management, and may in the future retain a search firm to assist it in identifying possible nominees for Director. During fiscal year 2006 and 2007, the Nominating and Governance Committee sought candidates to fill a vacancy on the Board of Directors. The Nominating and Governance Committee also engaged a third-party search firm to assist the Board in filling the other standing vacancy. As a result, the Nominating and Governance Committee selected and recommended Dr. O'Neill to join the Board of Directors in July 2006. The Nominating and Governance Committee recommendation and the Board of Directors' appointment of Dr. O'Neill to the Board was carried out in a manner consistent with the requirements under the Nominating and Governance Committee's charter, the Company's governance guidelines and its Amended and Restated Certificate of Incorporation.

The Nominating and Governance Committee also will consider recommendations of possible nominees for Director submitted by stockholders. Recommendations may be submitted to any member of the Nominating and Governance Committee in care of the Secretary of the Company at 901 N. Glebe Road, Arlington, Virginia 22203. Candidates recommended by stockholders will be evaluated in the same manner as other candidates considered by the Nominating and Governance Committee.

Operation of the Board

Board Meetings

The Board of Directors conducted eight meetings during fiscal year 2007. All Directors attended 75% or more of the meetings of the Board and the committees on which they served.

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Director Independence

The Board is composed of a majority of Directors who qualify as independent Directors pursuant to the corporate governance standards for companies listed on the NYSE. The Board committee structure includes an Audit Committee, Compensation Committee, Nominating and Governance Committee and a Risk Management Committee, the first three committees consisting entirely of independent Directors.

In determining independence, each year the Board affirmatively determines whether Directors have any material relationship with the Company. When assessing the materiality of a Director's relationship with the Company, the board considers all relevant facts and circumstances, not merely from the Director's standpoint, but from that of the persons or organizations with which the Director has an affiliation, and the frequency or regularity of the services, if any, provided to or by such persons or organizations, whether the services are being carried out at arm's length in the ordinary course of business and whether the services are being provided substantially on the same terms to the Company as those prevailing at the time from unrelated parties for comparable transactions. Material relationships can include commercial, banking, industrial, consulting, legal, accounting, charitable and familial relationships. A Director will not be considered independent if:

(1) the Director is, or in the past three years has been, an employee of the Company, or an immediate family member of the Director is, or in the past three years has been, an executive officer of the Company;

(2) the Director, or a member of the Director's immediate family, is receiving or has in the past three years received direct compensation from the Company in excess of \$100,000 per year, other than compensation for Board service, compensation received by the Director's immediate family member for service as a non-executive employee of the Company, and pension or other forms of deferred compensation for prior service with the Company;

(3) the Director, or a member of the Director's immediate family, is or in the past three years has been an executive officer of another company where any of the Company's present executives at the same time serves or served on the Compensation Committee;

(4) the Director or an immediate family member is a current partner of the Company's internal or outside auditor; the Director is a current employee of the internal or outside auditor; the Director has an immediate family member who is a current employee of the internal or outside auditor and who participates in the auditor's audit, assurance or tax compliance practice; or the Director or an immediate family member was within the past three years a partner or employee of the internal or outside auditor and personally worked on the Company's audit; or

(5) the Director is an executive officer or employee, or a member of the Director's immediate family is an executive officer of another company that has made payments to or received payments from the Company for property or services in an amount that, in any of the past three fiscal years, exceeded the greater of \$1 million or 2% of the other company's consolidated gross revenues.

For these purposes, an "immediate family" member includes a Director's spouse, parents, children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than a domestic employee) who shares the Director's home.

Applying these standards, the Board has determined that the following Directors are independent: John J. Gabarro, R. Michael McCullough, Brendan R. O'Neill, Linda D. Rabbitt, Gilbert T. Ray, and John C. Wright. In making these determinations, the board determined that none of the independent Directors, their family members or organizations with which the Directors are affiliated have any material direct or indirect relationship with the Company.

Meetings of Non-Employee Directors

The independent Directors met without any management Directors or employees present two times last year to discuss board policies, processes and practices. The Presiding Director, who is also the chair of the Nominating and Governance Committee, chaired these meetings.

Standing Committees of the Board

The Company has three standing committees: Audit, Compensation and Nominating and Governance. These committees operate pursuant to written charters adopted by the Board of Directors, copies of which are available on the Company's website located at www.watsonwyatt.com under "Investor Relations," or may be obtained upon request, addressed to the Secretary of the Company at 901 N. Glebe Road, Arlington, Virginia 22203. The Company also has a Risk Management Committee consisting of four members, two of which are independent directors.

Audit Committee

The Audit Committee's principal responsibilities, as set forth in its charter, are to assist the Board in overseeing the Company's financial reporting process that is established and implemented by management. The Audit Committee oversees the work of the independent registered public accounting firm and also reviews information provided by the Company's Director of Internal Audit, independent registered public accounting firm, and management concerning internal accounting procedures and controls.

Audit Committee Members and Financial Expert

The Audit Committee is currently composed of four independent Directors, John J. Gabarro, R. Michael McCullough, Gilbert T. Ray and John C. Wright (Chair), all of whom meet the current independence requirements of the NYSE's listing standards. The Board of Directors has determined that Mr. Wright is both independent and an audit committee financial expert, as defined by SEC and NYSE guidelines. The Audit Committee held twelve meetings during fiscal year 2007.

Report of the Audit Committee

Management has primary responsibility for: the preparation, presentation and integrity of the Company's financial statements; accounting and financial reporting principles; internal controls; and procedures designed to reasonably assure compliance with accounting standards and applicable laws and regulations. The Company's independent registered public accounting firm is responsible for: expressing opinions on the conformity of our audited financial statements to generally accepted accounting principles, the effectiveness of our internal control over financial reporting; and management's assessment of the effectiveness of our internal control over financial reporting. The Audit Committee reviews the Company's financial reporting process on behalf of the Board of Directors, although the committee members are not engaged in the practice of accounting or auditing.

The Committee meets regularly with management and the Company's independent registered public accounting firm to: review the Company's financial statements, financial press releases, and quarterly and annual SEC filings; to receive the independent registered public accounting firm's report of its review of the Company's quarterly financial statements and its audit of the Company's annual financial statements; to review significant developments in generally accepted accounting principles and financial reporting requirements; to discuss the application of significant accounting policies; and to review the Company's internal controls and the activities of the Company's internal auditor.

The Committee meets regularly in executive session, and also meets separately with the independent registered public accounting firm, the Company's Chief Financial Officer, and the Company's Director of Internal Audit.

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With respect to the Company's audited financial statements for the fiscal year ended June 30, 2007, the Audit Committee:

1. Reviewed and discussed the audited financial statements included in the Annual Report, including Management's Discussion and Analysis, with management; and discussed the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and subjective amounts, and the clarity of disclosures in the financial statements;
2. Discussed with the independent registered public accounting firm the scope and plan for its audit and the results of the audit; and also reviewed and discussed with management and the independent registered public accounting firm the audited financial statements, as well as the auditor's report concerning its examination of the Company's audited financial statements;
3. Discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, as adopted by the PCAOB in Rule 3200T; and
4. Received from the independent registered public accounting firm the written disclosures required by Independence Standards Board Standard No. 1 Independence Discussions with Audit Committees, as adopted by the PCAOB in Rule 3600T, considered whether the provision of non-audit services is compatible with maintaining the auditor's independence, and discussed with the auditor its independence from the Company and its management.

Following the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2007 that was filed with the Securities and Exchange Commission on August 24, 2007.

Submitted by the Watson Wyatt Worldwide, Inc. Audit Committee

John C. Wright □ Chair
John J. Gabarro
R. Michael McCullough
Gilbert T. Ray

Changes in the Company's Certifying Accountant

On December 7, 2006, the Company dismissed PricewaterhouseCoopers LLP (□PwC□) as the Company's independent registered public accounting firm and approved Deloitte & Touche LLP (□Deloitte□) as its new independent registered public accounting firm, effective December 12, 2006. The Company's Audit Committee made the decision to dismiss PwC. The reports of PwC on the Company's consolidated financial statements for the fiscal years ended June 30, 2005 and 2006 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principle.

During the fiscal years ended June 30, 2005 and 2006 and through December 7, 2006, there were no disagreements with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of PwC would have caused them to make reference thereto in their reports on the financial statements for such years. During the fiscal years ended June 30, 2005 and 2006 and through December 7, 2006, there were no □reportable events□ as defined in Item 304(a)(1)(v) of Regulation S-K. The Company has requested PwC to furnish it with a letter addressed to the Securities and Exchange Commission stating whether or not it agrees with the above statements.

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New Independent Registered Public Accounting Firm

The Company's Audit Committee approved Deloitte as the Company's new independent registered public accounting firm for the fiscal year ending June 30, 2007 and to perform procedures related to the financial statements included in the Company's quarterly reports on Form 10-Q, beginning with, and including, the quarter ended December 31, 2006, effective upon completion of Deloitte's customary client acceptance procedures which were completed on December 12, 2006. The Company had not consulted with Deloitte during its fiscal years ended June 30, 2005 and 2006 and through December 12, 2006 regarding either: (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, and neither a written report was provided to the Company nor oral advice was provided that Deloitte concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or a reportable event (within the meaning of Item 304(a)(1)(v) of Regulation S-K). Deloitte previously served as the independent accountant of Watson Wyatt LLP prior to the business combination with the Company that was completed on July 31, 2005.

Fees Paid to the Independent Registered Public Accounting Firm

The Audit Committee has responsibility for the appointment, compensation and oversight of the work of the independent registered auditor. Deloitte is the Company's independent registered public accounting firm and audited the Company's financial statements for fiscal year 2007. PwC was the Company's independent registered public accounting firm for the period July 1, 2006 until December 12, 2006 when the Company appointed Deloitte as the Company's independent registered public accounting firm.

As part of its oversight responsibility, the Audit Committee must pre-approve all permissible services to be performed by the independent registered public accounting firm. The Audit Committee has established policies and procedures for the pre-approval of audit and non-audit services to be performed by the independent registered public accounting firm.

Under the policy, the Committee must give prior approval for any amount or specific type of service within four categories — audit, audit-related, tax services or, to the extent permitted by law, other services that the independent registered public accounting firm provides. Prior to the annual engagement, the Audit Committee may grant pre-approval for specific independent registered public accounting firm services within these four categories at maximum pre-approved fee levels; however, the Audit Committee's policy is generally not to engage the independent registered public accounting firm for any non-audit related services, including tax planning or tax return preparation. If circumstances arise that would require the Company to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval, then the engagement for such services would require separate pre-approval by the Audit Committee. The Chair of the Audit Committee is authorized to approve a request for pre-approval provided the additional service is presented to the Audit Committee for approval at its next scheduled meeting.

The following table presents fees for professional audit services rendered by Deloitte for the audit of the Company's annual financial statements for the year ended June 30, 2007; the table also presents fees for professional audit services rendered by PwC for the audit of the Company's annual financial statements for the fiscal year ended June 30, 2006 and the portion of fiscal year 2007 prior to our engagement of Deloitte, and fees billed by PwC and Deloitte for other services rendered during those respective periods.

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Fee Category	2006	2007	2007
	PricewaterhouseCoopers LLP	PricewaterhouseCoopers LLP	Deloitte & Touche LLP
Audit Fees (1)	\$2,627,869	\$141,750	\$3,514,810
Audit-Related Fees (2)	68,000	8,000	914,281
Tax Fees (3)	5,857	-	19,536
Subtotal	2,701,726	149,750	4,448,627
All Other Fees (4)	10,938	-	1,500
Total Fees	\$2,712,664	\$149,750	\$4,450,127

- (1) Audit Fees — consists of fees billed for professional services performed by each of PwC and Deloitte for the audit of the Company's annual financial statements, review and audit of internal controls to ascertain compliance with the Sarbanes-Oxley Act, review of financial statements included in the Company's quarterly and annual filings, and services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-Related Fees — includes fees for assurance and related services performed by each of PwC and Deloitte that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees." These services principally include work related to employee benefit plan audits in fiscal year 2006 and due diligence work related to acquisitions in fiscal year 2007.
- (3) Tax Fees — include fees of each of PwC and Deloitte for any professional services related to tax compliance, tax advice and/or tax planning primarily for overseas matters.
- (4) All Other Fees — represents fees for publications, training and an annual license fee for access to each of PwC's and Deloitte's online database of financial reporting and accounting literature.

Representatives of Deloitte are expected to attend the Annual Meeting, will be available to respond to appropriate questions and will have an opportunity to make a statement if they desire to do so.

Compensation Committee

The Compensation Committee oversees executive compensation policies, including the compensation of the Chief Executive Officer ("CEO"), and oversees administration of the 2001 Employee Stock Purchase Plan, the 2001 Deferred Stock Unit Plan for Selected Employees, the Watson Wyatt Performance Share Bonus Incentive Program and the 2000 Long-Term Incentive Plan. The Board has delegated to the Compensation Committee matters associated with succession planning for the CEO. For additional information regarding the Compensation Committee's procedures and processes for setting executive compensation, please see "How We Determine and Assess Executive Compensation", on page 19 of the Compensation Discussion & Analysis.

The Compensation Committee currently is composed of John J. Gabarro, Linda D. Rabbitt, Gilbert T. Ray (Chair) and Brendan O'Neill, all independent Directors, and all of whom meet the independence requirements of the NYSE's listing standards. The Compensation Committee held six meetings during fiscal year 2007.

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Nominating and Governance Committee

The Nominating and Governance Committee provides assistance to the Board of Directors of the Company in fulfilling its responsibilities: by identifying individuals qualified to become Directors and approving the nomination of candidates for all Directorships to be filled by the Board of Directors or by the stockholders of the Company; identifying Directors qualified to serve on the committees established by the Board of Directors and recommending to the Board of Directors members for each committee to be filled by the Board of Directors; maintaining and reviewing the Corporate Governance Guidelines; and otherwise taking a leadership role in shaping the corporate governance of the Company.

The Nominating and Governance Committee currently is composed of R. Michael McCullough (Chair), Linda D. Rabbitt, Brendan O'Neill and John C. Wright, all independent Directors, and all of whom meet the independence requirements of the NYSE's listing standards. The Nominating and Governance Committee held six meetings during fiscal year 2007.

Members of these committees may change after this Annual Meeting.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information known to the Company concerning the shares of Class A common stock beneficially owned, as of October 1, 2007, by (i) the directors during the last fiscal year and nominees for director of the Company; (ii) the executive officers named in the Summary Compensation Table herein under "Executive Compensation;" and (iii) all executive officers and directors as a group. Except as otherwise indicated in the footnotes to the table below, the Company believes that the beneficial owners of the common stock, based on information furnished by such owners, have sole investment power and voting power with respect to such shares.

**Number of Outstanding Shares Beneficially
Owned on October 1, 2007**

Name of Beneficial Owner	Number and Class	Percent of Class
		(a)
	Class A	Class A
John J. Haley (b)	257,007	*
Carl D. Mautz	45,506	*
Gene H. Wickes (c)	60,122	*
Walter W. Bardenwerper	55,754	*
Kevin L. Meehan	32,376	*
John J. Gabarro	30,906	*
R. Michael McCullough (d)	7,171	*
Brendan R. O'Neill (e)	890	*

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Linda D. Rabbitt (e)	10,004	*
Chandrasekhar Ramamurthy (f)	163,182	*
Gilbert T. Ray (e)	8,171	*
Roger C. Urwin (f)	177,299	*
John C. Wright (e)	12,170	*
All directors and executive officers as a group: 20	1,155,170	2.72%

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- (a) Beneficial ownership of 1% or less of all of the outstanding common stock is indicated with an asterisk (*).
- (b) Ownership includes 14,252 shares that were deferred but are treated as beneficially owned and does not include 69,909 deferred stock units.
- (c) Ownership does not include 5,793 deferred stock units.
- (d) Ownership includes 2,171 shares that were deferred but are treated as beneficially owned.
- (e) Ownership includes 445 shares that were deferred but are treated as beneficially owned.
- (f) Messrs. Ramamurthy, Urwin, Dow and Brook are voting members of Ringley House LLP, formerly known as Watson Wyatt LLP. The beneficial ownership figures above do not include 90,500 shares held by Ringley House LLP, in which Messrs. Ramamurthy, Urwin, Dow and Brook may be deemed to share beneficial ownership by virtue of their status as voting members. Those shares were retained by Ringley House LLP following the transaction with the Company that is described under "Certain Relationships and Related-Party Transactions." Under the plan of distribution adopted in connection with the transaction, the shares retained by Ringley House LLP will not be distributed to the voting members.

Related Party Transactions Policy

Our Related Party Transactions Policy (the "Policy") is designed to avoid entering into transactions with directors, executive officers, immediate family members and certain other persons with specified relationships to the company (a "Related Person") except where clearly consistent with the interests of the Company and appropriately vetted and approved. This Policy is set forth in writing and administered by the Audit Committee and applies to any transaction or relationship or series of similar transactions arrangements or relationships with a Related Person. Under the Policy the Chief Financial Officer ("CFO") shall seek approval of the Audit Committee for any proposed transaction with a Related Person of which he is informed or becomes aware. The Audit Committee will review the proposed transaction for approval, ratification or other appropriate action. Based on its consideration of all the relevant facts and circumstances, the Audit Committee will decide whether or not to approve such transaction. If the CFO becomes aware of an existing transaction with a Related Person which has not been approved in advance under the Policy, the matter will be referred to the Audit Committee. The Audit Committee will evaluate any options available, including ratification or take other appropriate action.

Certain Relationships and Related Party Transactions

Watson Wyatt LLP

In connection with the acquisition of our long-term alliance partner, Watson Wyatt LLP, consideration paid for the assets acquired from Watson Wyatt LLP consisted of 9,090,571 shares of Class A common stock and £88.3 million in cash in pounds sterling. We also expect to deliver up to an additional 1,950,000 shares of common stock as acquisition consideration during Fiscal 2008 that was contingent upon the achievement of financial performance goals by Watson Wyatt LLP's former business for the year ended June 30, 2007. The terms of the acquisition were determined on the basis of arm's length negotiations. Upon consummation of the acquisition, the alliance arrangements were restated and amended (removing the majority of the operative provisions), and Watson Wyatt LLP changed its name to Ringley House LLP.

Messrs. Brook, Dow, Ramamurthy and Urwin, each of whom is an executive officer of the Company, were and remain voting members and members of the management of Watson Wyatt LLP, now known as Ringley House LLP. Mr. Ramamurthy and Mr. Urwin also served as Directors of the Company during fiscal 2007. Mr. Urwin's term as a director will end in November 2007.

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Immediately after the acquisition, Ringley House LLP transferred to its voting members, including Messrs. Brook, Dow, Ramamurthy and Urwin, stock and cash consideration received from the Company in the acquisition. As a condition to receiving shares of common stock issued in the acquisition, each voting member, including Messrs. Brook, Dow, Ramamurthy and Urwin, agreed to contractual restrictions on the transfer of such shares.

Each of Messrs. Brook, Dow, Ramamurthy and Urwin entered into an employment agreement and a non-competition agreement with the Company or a subsidiary of the Company, effective at the time of the acquisition. Except for salary and benefits based on salary, the employment agreements in each case are on identical terms and are substantially identical to the employment agreements for other employees of the Company's UK subsidiary. Compensation terms, including eligibility for a bonus and employee benefits, are the same as those provided to other associates at the same band level in the Company's UK subsidiary. The employment agreements provide for payment of a base salary plus a target bonus of 50% of base salary. Messrs. Ramamurthy and Urwin, respectively, received a salary and bonus for fiscal year 2007 of £208,223 and £110,850, and £228,614 and £93,620. The agreements also provide for additional payments of 27% of base salary, including a 12% car allowance, which is intended to be in lieu of other benefits. The UK subsidiary also provides disability and life insurance benefits to these individuals. Like the other agreements with the Company's UK employees, the agreements may be terminated by either party with six months' prior notice. In addition, the UK subsidiary may terminate the individual's employment without notice in the case of misconduct, conviction of certain criminal offenses, willful neglect of duties or grave and persistent breaches of the employment agreement. The agreements provide that for a one-year period after termination of employment, the individual will not solicit or entice away from the Company or its subsidiaries employees or clients of the Company or its subsidiaries. In addition, each individual has executed a non-competition agreement and non-solicitation agreement that runs from three years from the time of the acquisition.

In connection with the acquisition, the Company agreed to fund the aggregate bonus pool in full for fiscal years ended June 30, 2006 and 2007 for all employees of the business formerly operated by Watson Wyatt LLP (including Messrs. Brook, Dow, Ramamurthy and Urwin) if that business meets agreed-upon net operating income targets in those fiscal years. In addition, for the fiscal year ended June 30, 2008, the Company has agreed to fund the bonus pool in full for former main partners (including Messrs. Brook, Dow, Ramamurthy and Urwin) if the business meets agreed-upon targets for net operating income in that fiscal year. Although the Company is obligated to fund the applicable bonus pools in full if specified targets are met, bonuses to be paid to any individual are not guaranteed and will be determined in accordance with bonus policies in effect from time to time. The transaction did not require review, approval or ratification under the Company's Related Party Transaction Policy. This transaction was previously approved by the Board of Directors and disclosed to stockholders in connection with the acquisition of Watson Wyatt LLP.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's executive officers and Directors, among others, to file with the SEC initial reports of ownership and reports of changes in ownership of the Company's common stock. Persons subject to Section 16 are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. As a matter of practice, the Company assists the

Company's executive officers and Directors in preparing initial reports of ownership and reports of changes in ownership and files those reports with the SEC on their behalf.

Based solely on a review of the copies of such forms furnished to the Company and written representations from the Company's executive officers and Directors, the Company believes that all of its executive officers and Directors filed required reports on a timely basis under Section 16(a) during fiscal year 2007, except that Mr. Brook filed a late report regarding the sale of Company stock.

Biographical Information for other Executive Officers of the Company

Walter W. Bardenwerper (age 56) has served as Vice President and General Counsel since joining Watson Wyatt in 1987 and has served as Secretary since 1992. Mr. Bardenwerper was a director of Watson Wyatt & Company from 1992 to 1997. He is also a director of Professional Consultants Insurance Company. Mr. Bardenwerper was previously an attorney with Cadwalader, Wickersham & Taft and Assistant General Counsel and Secretary of Satellite Business Systems. He has a B.A. with Honors in Economics from the University of Virginia and a J.D. from the University of Virginia Law School.

Philip G.H. Brook (age 51) has served as Vice President and Global Practice Director, Insurance & Financial Services since the Company's acquisition of assets and assumption of certain liabilities of Watson Wyatt LLP in July 2005. Mr. Brook joined Watson Wyatt LLP in 1991 and was a member of Watson Wyatt LLP from 1992 to 2005. Mr. Brook was previously Global Head of Watson Wyatt LLP Insurance & Financial Services practice. In his role as Global Practice Director, Insurance & Financial Services, Mr. Brook leads a team of around 400 associates in 18 countries across Europe, Asia and the Americas. He is also the account manager for a number of Watson Wyatt Limited multinational financial services clients and has held management positions with the Insurance & Financial Services practice and the wider firm for a number of years. Prior to joining Watson Wyatt LLP, Mr. Brook worked for M&G Re for 12 years, where he qualified as a Fellow of the Institute of Actuaries in 1984. During his career at Watson Wyatt, Mr. Brook has worked on a wide range of international insurance projects, many of which have been merger or acquisition transactions or projects of a financial management nature. Mr. Brook holds an honours degree in Mathematics from Cambridge University.

Robert J. Charles (age 42) has been the Regional Manager (Asia-Pacific) since 2007. Mr. Charles was previously the Managing Consultant for Watson Wyatt's Hong Kong Office and the Regional Practice Leader for the Benefits Practice in Asia-Pacific, where he held these posts for three and four years respectively. Mr. Charles has also worked in India as the Office Practice Leader for Watson Wyatt India, where he led the integration for a new acquisition. He started his career as a consulting actuary in Watson Wyatt's Reigate office in 1987 and later became the Operations Manager for the London Benefits team. Mr. Charles was appointed a Partner of Watson Wyatt in Europe in 1999. He is a frequent speaker at conferences on pension reforms, is a Fellow of the Institute of Actuaries (UK) and holds a first class honours degree in mathematics from Oxford University.

David M.E. Dow (age 48) has served as Vice President and Global Practice Director of the Technology and Administration Solutions (TAS) Group since the Company's acquisition of assets and assumption of certain liabilities of Watson Wyatt LLP in July 2005. Mr. Dow started his career with KPMG and qualified as a Chartered Accountant in 1983. He was a consultant with Schrodgers for five years and joined The Wyatt Company in 1988 as a consultant in the financial services business. Since then, Mr. Dow has had a number of lead roles in both consulting and operations activities in Watson Wyatt. He was Managing Director of Wyatt Financial Services Ltd from 1990 to 1995 and Partner and Head of Practice for the Financial Services Group of Watson Wyatt Partners following the global alliance in 1995. Mr. Dow became Head of Practice for Benefits Administration in 1998 and Vice President and Global Practice Director for TAS in 2005. Mr. Dow also held Partnership Board and Finance Committee roles within Watson Wyatt LLP.

Jeffrey J. Held (age 53) has served as a Vice President since 2002 and as Chief Information Officer since 2001. Mr. Held joined Watson Wyatt in 2001 as Chief Technology Officer. Prior to joining Watson Wyatt, Mr. Held was a partner at Ernst & Young Consulting, where he was Chief Technology Officer for the Americas consulting practice and focused on providing technology solutions for the investment banking and securities sectors. Mr. Held received his B.S. and M.S. degrees in Electrical Engineering and Computer Science from MIT.

Carl D. Mautz (age 60) has served as Vice President and Chief Financial Officer since 1999 and previously served as Controller from 1997 to 1999. Prior to joining Watson Wyatt in 1997, Mr. Mautz served as the Controller for Tactical Defense Systems, Loral Corporation, which merged into defense contractor Lockheed Martin Corporation. From 1990 to 1994, Mr. Mautz held operating and corporate finance positions at the computer firm Unisys Corporation and from 1972 to 1984 was a CPA with the accounting firm of KPMG Peat Marwick. Mr. Mautz has a B.S. and an M.A.S. in Accounting from the University of Illinois.

Robert J. McKee (age 45) has served as Vice President and Global Director of Marketing since 2006. Mr. McKee joined Watson Wyatt in 1992 and was named Director of Marketing for Watson Wyatt & Company in 1998. Mr. McKee is responsible for: marketing strategy, planning and research; brand management; marketing communications and public relations; web-based marketing; and sales support. Prior to joining Watson Wyatt, Mr. McKee held marketing and public relations roles at Towers Perrin and at the Guardian Life Insurance Company of America. He has an A.B. degree from Columbia University.

Stephen E. Mele (age 57) has served as Vice President and Chief Human Resources Officer since 2007. Mr. Mele was most recently the Chief People and Technology Officer at Mercer HR Consulting, having previously worked at Prudential International as VP Human Resources. Earlier, he had been the Group Head for Human Resources Operations at Standard Chartered Bank and prior to that was HR Director at Clearstream and at Schlumberger. In particular he has lived and worked in North America, the UK and continental Europe. Mr. Mele received his B.S. in Business Administration from Fairleigh Dickinson University.

Peter E. Mills (age 49) has served as Vice President and Regional Manager (Latin America) since 2005, and has been with Watson Wyatt since 1988, most recently as Watson Wyatt's Latin America Region Retirement Practice Leader. Before that, Mr. Mills was a Senior Consultant for Watson Wyatt in its Latin America and Caribbean region. He worked as a project manager and account manager, and consulted for clients throughout the region. Mr. Mills has over 20 years of professional experience. He graduated from the University of Connecticut in 1980 with a B.S. degree in Mathematics and is a Fellow of the Society of Actuaries, a member of the American Academy of Actuaries, a member of the Actuarial Association of Colombia, and an Enrolled Actuary.

Paul E. Platten (age 54) has been Vice President and Global Practice Director of the Human Capital Group since 2005 and was most recently the Managing Consultant for the Boston, Massachusetts office of Watson Wyatt Worldwide from 2003 to 2005. He joined Watson Wyatt in June 2000 as the National Practice Leader of Strategic Rewards, specializing in executive compensation and strategic human resource issues. Mr. Platten has spent more than 20 years working with organizations to develop pay and performance programs that effectively link with strategic goals and cultural values. Prior to joining Watson Wyatt, Mr. Platten was the partner in charge of the PricewaterhouseCoopers LLP Boston Global HR Solutions practice. For 15 years prior to joining PricewaterhouseCoopers, Mr. Platten was part of the Hay Group as Vice President and Managing Director of Eastern Operations. Mr. Platten is a frequent lecturer at the American Bar Association and World at Work. He is co-author of the book *People, Performance and Pay*, which has been translated into three languages. Mr. Platten holds a B.S. degree in Psychology from Boston College and a Ph.D. degree in Industrial and Organizational Psychology from New York University.

Roger C. Urwin (age 54) served as a Director from February 2006 until November 2007, and has served as Vice President and Global Practice Director, Investment Consulting since the Company's acquisition of assets and assumption of certain liabilities of Watson Wyatt LLP in July 2005. Mr. Urwin joined Watson Wyatt LLP as a member in 1989 to head up the Investment Consulting practice. Prior to joining Watson Wyatt LLP, Mr. Urwin worked as an investment consultant for Bacon and Woodrow and headed William Mercer's investment practice before joining Gartmore Investment Management in 1987, where he was responsible for business development and quantitative investment. Mr. Urwin has responsibility for a number of Watson Wyatt's major investment clients both in the UK and internationally, advising them on all investment issues. Mr. Urwin was Global Head of Investment Consulting for Watson Wyatt LLP from 1995 to 2005. Mr. Urwin is the author of a number of papers on asset allocation policy and manager selection. He is on the board of INQUIRE (the Institute for Quantitative Investment Research) and the Editorial Board of MSCI (Morgan Stanley Capital International). Mr. Urwin has an M.A. in Mathematics and an M.Sc in Applied Statistics, both from Oxford University.

Gene H. Wickes (age 55) has served as a Director from 2002 until 2007, as a Vice President since 2002, and has been the Global Director of the Benefits Practice since 2005. Prior to this, Mr. Wickes was the Global Retirement Practice Director and the U.S. West Division's Retirement Practice Leader from 1997 to 2004. Mr. Wickes joined

Watson Wyatt in 1996 as a senior consultant and consulting actuary. He assists clients with their retirement and executive benefit issues. Prior to joining Watson Wyatt, he spent 18 years with Towers Perrin, a human resources consulting firm, where he assisted organizations with welfare, retirement, and executive benefit issues. Mr. Wickes is a Fellow of the Society of Actuaries and has a B.S. in Mathematics and Economics, an M.S. in Mathematics and an M.S. in Economics, all from Brigham Young University.

Compensation Discussion and Analysis

Our Compensation Discussion and Analysis will provide an overview and analysis of our compensation program and policies for certain of our executive officers identified below, the material compensation decisions we have made under those programs and policies as reflected in the executive compensation tables that appear later in this proxy statement, and the material factors that we considered in making those decisions.

Later in this proxy statement, under the heading "Executive Compensation", you will find a series of tables containing specific information about the compensation earned or paid in fiscal year 2007 to the following individuals, whom we refer to as our named executives:

- John J. Haley, President, Chief Executive Officer, Chairman of the Board and Director
- Carl D. Mautz, Vice President and Chief Financial Officer
- Gene H. Wickes, Vice President, Global Director of the Benefits Practice and Director
- Walter W. Bardenwerper, Vice President, General Counsel and Secretary
- Kevin L. Meehan, Vice President and Regional Manager (North America)

The discussion below is intended to help you understand the detailed information provided in those tables and to put that information into context within our overall compensation program.

Objectives of Our Executive Compensation Program

The objectives of our executive compensation program are to:

1. Attract, motivate and retain the most highly qualified and capable executives by providing competitive compensation based on individual and Company performance.

We seek to compensate all of our executives fairly on a global basis and on a basis that reflects the Company's performance relative to its key competitors. Toward this end, we provide competitive base compensation, supplemented with variable compensation based on individual achievement of annual results and, for select senior executives, long-term results. As discussed below, we tie both annual and long-term compensation to quantitative and qualitative performance assessments that impact our success in the marketplace.

2. Align executive compensation with the Company's overall business strategies and values.

We apply our compensation objectives to all of our executives. In implementing our compensation objectives, we take into consideration the Company's business strategy and prevailing market conditions. Specifically, our compensation programs are designed to reinforce business goals identified through our Performance Development Process and our Horizon initiatives.

Our Performance Development Process is an annual three-phase performance management cycle comprised of planning, a mid-year review and a year-end review. It is designed to align our employees' (whom we refer to as our associates) performance goals to business priorities, develop their ability to achieve their goals, and recognize and reward their business results based on fair and accurate measurement.

Horizon is the Company's strategic plan for attaining its vision of market leadership in the human capital consulting profession. Factors included in the strategic plan take into account our market share gains, the prioritization and allocation of our financial investments and resources based on contribution to

market leadership, effectiveness in enhancing our organizational structure, and the achievement of strategic acquisitions.

3. Focus management on maximizing stockholder value.

We also believe that the best way to directly align the interests of our named executives with the interests of our stockholders is to ensure that our named executives acquire and retain an appropriate level of stock ownership throughout their career with us. Our compensation program pursues this specific objective in three ways: through our Performance Share Bonus Incentive Program (discussed below), by paying 25 percent of annual fiscal year-end bonuses to our named executives and other senior executives in the form of equity, and through our stock ownership guidelines for our named executives, as described in more detail below.

4. Foster an ownership approach among our executives and reward their focus on long-term objectives.

For our named executives, a portion of their potential total direct compensation is delivered through our Performance Share Bonus Incentive Program, a long-term performance-based arrangement that pays out in Company stock based on the achievement of performance goals over a three-year period. The Performance Share Bonus Incentive Program combines the elements of basing compensation on corporate performance, focusing on stockholder value, and rewarding long-term results.

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When implementing our compensation program, the level of our named executives' compensation is determined primarily based upon: (a) the named executive's level of responsibility and function within the Company; (b) the extent to which the named executive has helped drive the achievement of financial and strategic goals that impact stockholder value; (c) the overall performance and profitability of the Company; and (d) our assessment of the competitive marketplace, including a comparison against what we deem to be our peer group of companies. We do not maintain employment agreements with any of the named executives.

How We Determine and Assess Executive Compensation

The Compensation Committee of the Board of Directors, which comprised four independent directors in fiscal year 2007, is responsible for evaluating the compensation levels for each of the named executives of the Company and for administering the Company's cash- and equity-based incentive plans. The Committee works with an independent compensation consultant, Frederic W. Cook & Co., Inc. (Frederic Cook) and, in setting compensation levels for executives other than the CEO, solicits the input and recommendations of our CEO, John Haley.

In making its determinations, the Committee relies on publicly available information, commissioned survey data, and its knowledge of the market for key executives. The Compensation Committee takes this peer data information into account and generally seeks to provide competitive pay by targeting total direct compensation opportunities for our named executives between the 50th and 75th percentiles relative to a peer group, but the Compensation Committee does not target a particular peer group percentile for particular elements of compensation. The peer group was selected by the Compensation Committee on the recommendation of Frederic Cook and in consultation with the CEO, the Global Director of the Benefits Practice and the Regional Manager of Europe, and is re-evaluated annually.

The peer group companies include those few public companies with human resources consulting and/or staffing lines of business. Because many of the Company's direct competitors are privately owned (e.g., Towers Perrin and the Hay Group) or are subsidiaries of larger public companies (e.g., Mercer Human Resource Consulting and Buck Consultants), the number of direct competitors for which public information is available for peer group comparison is limited. Therefore, additional peer group companies in the consulting and professional services business are selected based on meeting the following criteria: (a) high human capital/low financial capital business model; (b) reasonably comparable size in terms of annual revenue, market capitalization and number of employees; and (c) positive earnings before interest, taxes, depreciation and amortization (EBITDA). The five companies comprising the peer group for fiscal year 2007 are as follows:

		Position Relative to Watson Wyatt (Fiscal Year 2006)		
		Annual Revenue	Market Capitalization	Number of Employees
		(\$mil)	(\$mil)	
1	Hewitt Associates	2,857	2,487	24,000
1	Perot Systems	2,298	1,719	21,200
1	Hudson Highland	1,373	265	3,600
1	Navigant Consulting	682	1,185	2,475
1	Gevity HR	648		