Towers Watson & Co.
Form 10-K
August 14, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2015
or
¨ 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: 001-34594

TOWERS WATSON & CO.
(Exact name of registrant as specified in its charter)

Delaware	27-0676603
(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, $0.01 par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ý

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No ý

The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates of the registrant was approximately $7,310,423,100 based on the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, December 31, 2014.

As of July 31, 2015, there were 69,285,645 outstanding shares of Class A common stock at a par value of $0.01.

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TOWERS WATSON & CO.
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For the Fiscal Year Ended June 30, 2015

Special Note Regarding Forward-Looking Statements

This Annual Report contains a number of “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, among others, statements regarding revenue drivers, growth opportunities and operational cost savings; the Executive Overview; Critical Accounting Policies and Estimates; the discussion of our capital expenditures; Off-Balance Sheet Arrangements and Contractual Obligations; Liquidity and Capital Resources; Risk Management; and Part I, Item 3 “Legal Proceedings”. You can identify these statements and other forward-looking statements in this filing by words such as “may”, “will”, “expect”, “anticipate”, “believe”, “estimate”, “p
“intend”, “continue”, or similar words, expressions or the negative of such terms or other comparable terminology. You should read these statements carefully because they contain projections of our future results of operations or financial condition, or state other “forward-looking” information. A number of risks and uncertainties that could cause actual results to differ materially from the results reflected in these forward-looking statements are identified under “Risk Factors” in Item 1A of this Annual Report on Form 10-K. These statements are based on assumptions that may not come true. All forward-looking disclosure is speculative by its nature. Except where required by law, we undertake no obligation to update any of the forward-looking information included in this Annual Report, whether as a result of new information, future events, changed expectations or otherwise.

PART I

Item 1. Business.

The Company

Towers Watson & Co. (referred to herein as “Towers Watson”, the “Company” or “we”) is a leading global professional services firm operating from 113 markets in 37 countries throughout the Americas, Europe, Asia-Pacific, South Africa and the Middle East. Towers Watson was formed on January 1, 2010, from the merger (the “Towers Perrin | Watson Wyatt Merger”) of Towers, Perrin, Forster & Crosby, Inc. (“Towers Perrin”) and Watson Wyatt Worldwide, Inc. (“Watson Wyatt”), two leading professional services firms that traced their roots back more than 100 years. We help organizations improve performance through effective people, risk and financial management by focusing on providing human capital and financial consulting services.

We bring together professionals from around the world — experts in their areas of specialty — to deliver the perspectives that give organizations a clear path forward. We do this by offering consulting, technology and solutions and private exchanges in four principal areas: Benefits; Exchange Solutions; Risk and Financial Services; and Talent and Rewards.

We help our clients enhance business performance in a variety of ways. We help employers improve their ability to attract, retain and motivate qualified employees. We deliver consulting services and solutions that help organizations anticipate, identify and capitalize on emerging opportunities in benefit and human capital management. We advise the insurance industry on a wide range of strategic and risk management issues. We provide investment advice and solutions to help our clients develop and implement disciplined, efficient strategies to meet their investment goals. Also, we help employers make smart decisions with regard to employee benefit plans, including decisions regarding the use of private health insurance exchanges in the U.S. These decisions and others enable organizations to realize cost savings related to their workforce and retiree health plans, while providing plan participants with improved choice and control over their health benefits.

Our target market is generally large, multi-national and domestic companies, with particular focus on the insurance industry for our risk consulting business. Our clients include many of the world’s leading corporations, including approximately 92% of the Fortune Global 500 companies and 84% of the Fortune 1000. We also advise more than three-quarters of the world’s leading insurance companies. We work with major corporations, emerging growth companies, governmental agencies and not-for-profit institutions in a wide variety of industries.

Economic and Competitive Factors

As leading economies worldwide become more service-oriented and interconnected, effective human resource management and financial management are increasingly sources of competitive advantage for organizations. Employers, regardless of geography or industry, are facing unprecedented challenges involving the management of their people. Changing technology, expectations for innovation and quality enhancements, changing risks, skill shortages in selected areas, and an aging population in many developed countries have increased employers’ focus on attracting and retaining talented employees. Further, employers are focused on improving productivity and effectively managing the size and volatility of their labor costs. The growing demand for employee benefit and human capital management services is directly related to the size and complexity of human resource programs and the changes associated with their design, financial management and administration, including health care reform in the U.S. Additionally, as organizations focus on improving business performance, they want to combine risk management and operational improvements within their overall financial management framework. It is crucial for employers, including

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insurance carriers, to link risk, capital and value in order to manage value creation and balance risk and return. These are among the primary business issues that lead employers to seek Towers Watson's advice and solutions.
The human capital and risk management consulting industries are highly competitive. We believe there are significant barriers to entry, and we have developed competitive advantages in providing HR consulting services. However, we face strong competition from several sources.
The market for our services is subject to change as a result of economic, regulatory and legislative changes, technological developments, and increased competition from established and new competitors. Regulatory and legislative actions, along with continuously evolving technological developments, will likely have the greatest impact on the overall market for our exchange products. We believe the primary factors in selecting a human resources or risk management consulting firm include reputation, the ability to provide measurable increases to stockholder value and return on investment, global scale, quality of service and the ability to tailor services to clients' unique needs. With regard to the market for exchanges, we believe that clients base their decisions on a variety of factors that include the ability of the provider to deliver measurable cost savings for clients, a strong reputation for efficient execution, a provider's capability in delivering a broad number of configurations to serve various population segments and financing options, and an innovative service delivery model and platform. For our traditional consulting and risk management services and the rapidly evolving exchange products, we believe we compete favorably with respect to these factors.
Towers Watson is recognized for its thought leadership and proprietary solutions. Our insights, derived from our extensive research across our four business segments, are a core part of our brand identity and are widely cited by major news outlets, including The Wall Street Journal, The New York Times, the Financial Times, BBC News and CNBC. We publish proprietary studies and white papers on topics that include employee attitudes toward the workplace, executive pay trends, health care quality and costs, the impact of enterprise risk management on business performance, and strategies for managing pension risk and investments.
While we are focused on maintaining our deep expertise in products and services in the areas described above, we believe our ability to link the products and services from our various consulting areas is a key to comprehensively meeting our clients' complex needs.
Below are total Towers Watson revenues and long-lived assets by geographic area for the fiscal years ended June 30, 2015, 2014 and 2013:

in thousands	Revenue			Long-Lived Assets		
	2015	2014	2013	2015	2014	2013
North America	$2,232,600	$2,046,488	$1,972,981	$2,335,107	$2,484,019	$2,293,045
Europe	1,132,085	1,162,888	1,161,973	1,115,257	1,211,700	1,193,188
Rest of World	280,268	272,536	297,561	44,806	44,466	47,308
	$3,644,953	$3,481,912	$3,432,515	$3,495,170	$3,740,185	$3,533,541

The following represents total revenue and long-lived assets information for the United States, the United Kingdom, and all foreign countries for the fiscal years ended June 30, 2015, 2014 and 2013:

in thousands	Revenue			Long-Lived Assets		
	2015	2014	2013	2015	2014	2013
United States	$2,044,366	$1,829,309	$1,760,827	$1,995,346	$2,086,754	$1,885,791
United Kingdom	710,499	717,856	721,543	903,411	947,227	940,146
Rest of World	890,088	934,747	950,145	596,413	706,204	707,604
Total Foreign Countries	$1,600,587	$1,652,603	$1,671,688	$1,499,824	$1,653,431	$1,647,750
	$3,644,953	$3,481,912	$3,432,515	$3,495,170	$3,740,185	$3,533,541

Principal Services
As noted earlier, our global operations include four segments: Benefits, Exchange Solutions, Risk and Financial Services, and Talent and Rewards. On January 23, 2014, Towers Watson announced plans to expand the Exchange Solutions segment by combining operations and associates primarily from portions of the Technology and Administration Solutions ("TAS") North America line of business with the Retiree & Access Exchanges and Liazon

lines of business to better align their respective

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strategic goals. The restructuring took effect on July 1, 2014. The results for our Benefits and Exchange Solutions segment for fiscal years 2014 and 2013 have been presented on this reorganized basis. The percentages of revenue generated by each segment before income from discontinued operations are as follows:

	Year ended June 30,		
	2015	2014	2013
Benefits	54 %	56 %	57 %
Exchange Solutions	11	8	6
Risk and Financial Services	17	19	20
Talent and Rewards	18	17	17
Total Segment Revenue	100 %	100 %	100 %

Employees

We employed approximately 16,300 full-time associates as of June 30, 2015 in the segments listed below; in addition, we have a number of part-time and contract associates whose numbers fluctuate in response to short-term demands. Associates listed for the 2013 fiscal year exclude those employed in our Reinsurance and Property and Casualty Insurance Brokerage business ("Brokerage"), which was sold in November 2013. Also, amounts presented for the 2014 and 2013 fiscal years have been adjusted from previously disclosed amounts to reflect the segment reorganization which took effect on July 1, 2014.

	As of June 30,		
	2015	2014	2013
Benefits	6,900	6,600	6,500
Exchange Solutions	2,300	1,300	700
Risk and Financial Services	1,900	2,000	2,100
Talent and Rewards	2,700	2,500	2,400
Other	600	500	300
Business Services (incl. Corporate and field support)	1,900	1,900	2,100
Total associates	16,300	14,800	14,100

Benefits Segment

The Benefits segment is our largest, with over 6,900 associates. The Benefits segment generated approximately 54% of Towers Watson's segment revenue for the fiscal year ended June 30, 2015. This segment has grown organically and through business combinations. Benefits consultants work with clients to create and manage cost-effective benefit programs that help them attract, retain and motivate a talented workforce, while managing the costs and financial risks associated with these programs.

The lines of business within the Benefits segment are:

- Retirement
- Health and Group Benefits
- Technology and Administration Solutions
- International Consulting

The Benefits lines of business often work closely together on client assignments, along with consultants from the Talent and Rewards and Risk and Financial Services segments. Examples of such client assignments include mergers and acquisitions ("M&A"), total reward program design, retiree benefit strategy, benefit program de-risking, benefits administration and benefit-related communication and change management.

Retirement

As one of the world's leading advisors on retirement plans, we provide actuarial and consulting services for large defined benefit and defined contribution plans, including consulting on plan design, funding and risk management strategies. We also help our clients assess the costs and risks of retirement plans on cash flow, earnings and the balance sheet, the effects of changing workforce demographics on their retirement plans and retiree benefit adequacy and security.

Towers Watson is the named actuary for many of the world's largest retirement plan sponsors. We provide actuarial services to more of the top 300 pension funds worldwide than any other consulting firm. In the U.S., we provide actuarial services to five of the six largest corporate-sponsored defined benefit plans (based on total pension plan assets), and, in the U.K., we advise 52

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of the 100 largest pension funds and provide retirement services to 57% of the FTSE 100 and 26% of FTSE 350 companies. We also have market-leading positions in Canada, Germany and the Netherlands. We offer clients a full range of integrated, innovative retirement consulting services to meet the needs of all types of employers — including those that continue to offer defined benefit plans and those that are reexamining their retirement benefit strategies. For clients that want to outsource some or all of their pension plan management, we offer integrated solutions that combine investment consulting, pension administration, core actuarial services, and communication and change management assistance.

Our retirement consulting services include:

- Retirement strategy and plan design
- Actuarial services and related support
- Retirement plan financial management
- Settlement solutions such as lump sum cash outs, longevity swaps and annuity purchases
- Compliance and governance strategies
- Risk management such as liability-driven investment changes
- Defined contribution solutions

Much of our recent consulting with clients relates to defining and managing pension plans to achieve a desired status (maintaining ongoing plans, continuing to sponsor frozen plans, exiting from plan sponsorship), managing risk and cost volatility, various regulatory changes (global accounting reform and U.S. and European pension funding legislation), and a broad-based desire on the part of many employers to reexamine their retirement design approach. Using in-depth data analysis, we provide perspective on the overall environment and help our clients make plan design decisions. As we have tracked the retirement designs of the largest public companies around the world over many years, we provide clients with data to better understand the true magnitude of the movement from defined benefit to defined contribution plan designs.

To ensure the consistency and efficiency of our retirement consulting service delivery in all of our offices worldwide, we dedicate significant resources to technology systems and tools. We also maintain extensive proprietary databases that enable our clients to track and benchmark benefit plan provisions. Our retirement consulting relationships are generally long-term in nature, and client retention rates for this line of business are high. Revenue for the retirement business is typically seasonal, as most of our work pertains to calendar-year-end reporting and compliance related to the completion of pension plan valuations; thus, the third quarter of our fiscal year is typically the strongest quarter. Major revenue growth drivers in this line of business include changes in regulations, capital market conditions, increased global demand and increased market share.

Health and Group Benefits

Health and Group Benefits is the second largest line of business in the Benefits segment. We provide plan management consulting across the full spectrum of health and group benefit programs, including health, dental, disability, life and other coverage. We provide services to large and mid-size organizations. Our consulting relationships are generally long-term in nature, and client retention rates for this line of business are high.

Our consulting approach in this business includes:

- Broad and deep plan management and actuarial expertise
- Robust databases of plan designs and plan performance metrics used to diagnose program performance and inform solutions
- Investment in innovation and thought leadership to drive new market approaches
- A continuum-of-service approach that allows clients to choose from among packaged yet customized solutions
- Deep specialty expertise in the areas of health management, pharmacy, absence and disability management, voluntary benefits and benefit plan audit and measurement

Globally, many health care systems are strained by shrinking resources and increasing demand due to population aging and changes in employees’ health status — factors that have increased benefit costs for employers. Our health and group benefits consulting services help employers provide health and welfare benefits designed to attract and retain qualified employees, while controlling costs and enhancing workforce health and productivity. In order to meet our clients' global health and group benefit needs, we have expanded our geographic footprint of health and group benefit operations. In the last 12 months, we have opened health and group benefit operations — including obtaining brokerage licenses — in Colombia, Mexico, the Philippines, Singapore, and South Korea, and are working on setting up operations in several additional countries. We also acquired 26% of a local Indian broker. Between our own operations and third party broking partners, we can provide health and group benefits advice and services in over 100 countries.

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In the U.S., the Patient Protection and Affordable Care Act (PPACA) has prompted employers to reevaluate their health plan strategies in light of expanded coverage requirements and new tax considerations. Our consultants are helping clients with these strategic decisions, including how to optimize their programs and evaluate emerging coverage options, specifically publicly subsidized health insurance exchanges and private exchanges.

Given continued above-inflation-rate increases in health care costs, our consultants help employers find proven solutions for managing plan costs and engaging members in health management and cost-control. An increasing number of employers are adopting account-based approaches, increasing their emphasis on employee health engagement, and using behavior-based approaches in the design of their programs. In the U.S., the PPACA has also spawned new approaches in the ways that providers are paid. These approaches are intended to improve outcomes via more efficient care and service utilization. These models put employees in charge of spending their own health care dollars and provide them with appropriate incentives, tools and information to make wise health purchasing decisions.

In addition to our consulting services, we manage a number of collective purchasing initiatives (e.g., pharmacy, stop-loss) that enable employers to realize greater value from third-party service providers than they can on their own.

We have rolled out GlobalAccess, a platform for the provision of pre-packaged health and group benefits plans in over 60 countries. Under GlobalAccess, our clients can select one of three plan designs in a covered country. The plan designs are benchmarked to local conditions with pre-negotiated pricing and terms with leading insurers globally. We also support OneExchange Active, our private health insurance exchange for active employees. This offering is integrated with other health insurance exchange offerings, OneExchange Retiree and OneExchange Access, which are provided within the Exchange Solutions segment. We have designed our health insurance exchange based on the same high performance plan principles underlying our advice to clients who choose to self-manage their health programs. Our clients now have the choice of continuing to self-manage and using our consulting services or to access our private exchange high performance platform. Our first OneExchange Active clients went live in our fiscal year 2014.

Our global services include:

- Program strategy, design and pricing
- Employee engagement in health benefits
- Health condition management consulting
- Pharmacy benefit management consulting
- Absence and disability management consulting
- Voluntary benefits consulting
- Workforce well-being evaluation and wellness and health promotion consulting
- Performance measurement and monitoring
- Development of funding strategies and forecasting, budgeting and reserve setting
- Vendor evaluation, selection and management
- Claims audits and pre- and post-implementation audits
- Regulatory compliance

Technology and Administration Solutions

Our Technology and Administration Solutions ("TAS") line of business, our third largest within the Benefits segment, provides benefits outsourcing services to hundreds of clients across multiple industries. Our services are supported by our robust technology platforms, including our BenefitConnect system in the U.S., and our dedicated, onshore benefits call centers.

Supporting more than seven and a half million plan participants and their family members, we provide the following pension related services:

- Pension and retirement plan administration
- Pension de-risking
- Pension payroll administration
- Treasury and accounting administration
- Flexible benefits plan administration
- Trustee services

- Data clean-up
- Benefits call centers

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We have more than three decades of success in benefits outsourcing and were ranked a leader for the fifth year on the Global Outsourcing 100 list. In the last three years, we were also ranked #1 and #2 in the Diversified Outsourcing Services category on Fortune magazine's list of "World's Most Admired Companies." To help meet the needs of all employers, we provide flexible benefits administration delivery model options, ranging from co-sourcing to full outsourcing.

In the U.S., we are a top-tier benefits outsourcing provider and a market leader for defined benefit outsourcing. Our administration technology, BenefitConnect, includes case management and administration tools to help plan sponsors manage the entire life cycle, from new hire to retirement, and employee self-service tools that enhance employees' understanding of their benefits. We deliver fully outsourced services through four U.S. service center locations, with representatives equipped with a recently upgraded, fully integrated technology suite and training that leverages the breadth of Towers Watson's benefits expertise. Within the U.S., participant satisfaction with our Technology and Administration Solutions customer service centers was approximately 97% for the fiscal year ended June 30, 2015.

In the U.K., we are a leader in retirement administration outsourcing and flexible benefits administration services to the private sector. We use highly automated processes and web technology to enable benefit plan members to access their records and improve their understanding of their benefits. Our technology also provides trustees and human resources departments with timely management information to monitor activity levels and reduce administration costs.

In markets outside the U.K. with more complex defined contribution arrangements, we have deployed sophisticated defined contribution technology, processes and controls. Our defined contribution administration model used in Germany and the U.K. leverages web technology and provides clients with "back office" reconciliation, while offering clients the option to outsource or co-source front-office operations as needed. Participants can access their data directly and thereby be self-sufficient in managing their portfolios.

International Consulting

To help multinational companies address the challenges of operating in the global marketplace, Towers Watson provides expertise in dealing with international human capital management, as well as related benefits and compensation advice for corporate headquarters and their overseas subsidiaries. Multinationals increasingly need to manage and govern compensation and benefit policies and practices from a global perspective, and our international consultants work with the headquarters of multinationals to develop such strategies and implement them. In addition, activities within multinationals are increasingly global in nature (e.g. mergers, acquisitions and other corporate transactions, or the implementation of a more integrated and effective global benefits management system). Our global specialists, in cooperation with their colleagues in our local offices worldwide, help clients manage and ensure the success of such projects.

In addition to global strategy, governance and oversight, our services include:

- Global actuarial services to over 260 companies, which is a market leading position
- Global total rewards and benefit design
- Global workforce health and wellbeing
- Defined contribution plan oversight
- Defined benefit plan risk management and reduction strategies
- More efficient and effective financing of employee benefits through pooling and captives and our enhanced local capabilities
- The optimization of global employee benefit management and spend

Towers Watson also has a global service offering with client-ready teams of experienced M&A practitioners across all our segments. The team has worked on hundreds of transactions across industry sectors and geographic borders and has participated in every phase, from target evaluation, through due diligence, to post-deal integration. This breadth of experience, coupled with our extensive knowledge of the employee mindset and the insurance sector, gives us a strong foundation to help organizations achieve their deal objectives. Our M&A team brings together a strong set of services to help clients evaluate and address the critical people-related issues, assets, liabilities, risks and opportunities surrounding a transaction from due diligence through full integration.

Exchange Solutions Segment

Exchange Solutions generated 11% of Towers Watson’s segment revenue for the fiscal year ended June 30, 2015. This segment includes two lines of business:

- Retiree & Access Exchanges
- Other

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We are helping to redefine the manner in which active employee and retiree health benefits are offered and delivered. Our solutions create cost savings for our employer clients and provide our individual customers with improved choice and control over their health benefits.

Retiree & Access Exchanges

The Retiree & Access Exchanges line of business provides solutions through a proprietary technology platform, which integrates patented call routing technology, efficient quoting and an enrollment engine, a custom-developed Customer Relationship Management ("CRM") system and comprehensive insurance carrier connectivity. The Retiree & Access solution services include:

- Analyzing and optimizing employer healthcare benefit subsidies and developing healthcare coverage strategies that enable our clients to predict their healthcare liabilities and realize significant cost savings by transitioning their retirees to defined contribution plans
- Managing an exchange of over 150 national and regional insurance carriers offering thousands of health plans that compete on price, coverage and quality
- Simplifying the complexities of Medicare and the pre-65 individual market by helping individuals navigate through a meaningful choice of health plans using our proprietary software to analyze employer subsidies, health plan details and individuals' doctor, hospital and prescription drug needs
- Offering enrollment services that match an individual's health status and financial resources to a specific plan while giving guidance about these expanded healthcare options
- Providing lifelong advocacy and support services for all enrollees as they engage with insurance carriers beginning with their initial enrollment and continuing as their healthcare needs evolve

Our most mature solution within this segment, OneExchange Retiree, enables our employer clients to transition their retirees to individual, defined contribution health plans that provide individuals with a tax-free allowance or 'contribution' to spend on health care services at an annual cost that the employer controls as opposed to group-based, defined benefit health plans that provide groups of individuals with healthcare benefits at an uncertain annual cost. With our OneExchange Retiree solution, our clients can provide their retirees with the same or better healthcare benefits at a lower cost. We have provided an effective alternative to traditional group Medicare health plans for private and public sector clients, including Fortune 500 companies. We have helped hundreds of thousands of retirees and their dependents navigate the individual retiree medical insurance market, and evaluate and choose a health plan using our proprietary exchange platform and decision support tools. In addition, this line of business continues to develop and expand its offering to address the pre-65 individual retiree, or early retiree, and is also working on exchange opportunities for individual, active employees.

Other

This business is comprised of three practices:

- Active Exchanges — This business is focused on delivering group benefit exchanges serving the active employees of virtually any employer across the United States. Using our proprietary BenefitConnect or Bright Choices exchange platforms, combined with our expertise in creating high-performing benefit plan designs, we believe we are well-positioned to help our clients simplify their benefits delivery, while lowering the total costs of benefits and related administration. We have relationships with more than 400 broker partners to access and service the small to mid-size group market and offer both fully-insured and self-insured exchanges to meet the needs of our employer clients.
- Consumer-Directed Accounts — This business uses its Software as a Service ("SaaS") —based technology and related services to deliver consumer-driven health care and reimbursement accounts, including health savings accounts ("HSAs"), health reimbursement arrangements ("HRAs") and other consumer-directed accounts. While its core focus is on health plan accounts, this proprietary platform supports more than 30 other account types including tuition, adoption, commuter and child care.
- Health and Welfare Administration — This business provides a complete suite of health and welfare outsourcing services to more than 100 clients across multiple industries. By combining our proprietary BenefitConnect technology platform with our disciplined approach to customer service, we can cost-effectively offer clients high-touch service.

In November 2013, the Exchange Solutions segment was expanded through the acquisition of Liazon Corporation ("Liazon"), a company specialized in developing and delivering private benefit exchanges for active employees. The Liazon solution complements the existing OneExchange Active offering by helping organizations of all sizes deliver self- and fully-insured benefits to employees in new and cost effective ways.
Liazon delivers benefits technology and merchandising for employers in the small- to mid-sized market through its Bright Choices Exchange ("Bright Choices"). Bright Choices helps employers set predictable benefit budgets and receive more from

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their benefit investments by helping them deploy defined contribution funding strategies. Employees then use the money provided by their employers to shop in the Bright Choices on-line benefits store, to build a personalized benefits portfolio, and to make smarter, more economical benefits decisions.

Liazon distributes its products and services through an extensive group of brokers and benefits consultants. Liazon serves employers and their employees through:

- Flexible defined contributions capabilities and planning tools for employers and brokers
- The Bright Choices Exchange, where employees are assisted in making informed decisions using educational tools and a simple online questionnaire that guides them to create a personalized portfolio of benefits from a wide variety of options, and provides access to year-round benefits information and education
- Extensive carrier relationships with leading insurance brands that allow Bright Choices to provide robust marketplaces with a wide range of benefits that employees value, including health care plans across a range of price points, Health Savings and Flexible Spending accounts, dental, vision, life, disability, critical illness, wellness, legal plans, and even pet insurance and telemedicine
- Year-round, on-line and telephonic support for employers and employees

On January 23, 2014, Towers Watson announced plans to expand the Exchange Solutions segment by combining operations and associates primarily from portions of the TAS North America line of business with the Retiree & Access Exchanges and Liazon lines of business to better align their respective strategic goals. The restructuring took effect on July 1, 2014.

Our Health & Welfare Administration practice, second largest within the Exchange Solutions segment and largest within the Other line of business, provides benefits outsourcing services to more than 75 clients across multiple industries. Our services are supported by our robust technology platforms, including our BenefitConnect system, and our dedicated, onshore benefits service centers.

Focused in the U.S., we are a top-tier benefits outsourcing provider and a market leader for defined benefit and health and welfare administration. Our administration technology, BenefitConnect, includes case management and administration tools to help plan sponsors manage the entire life cycle, from new hire to retirement, and employee self-service tools that enhance employees' understanding of their benefits. BenefitConnect is also the administration engine for our U.S. private health insurance exchange. We deliver fully outsourced services through four U.S. service center locations, with representatives equipped with a recently upgraded, fully integrated technology suite and training that leverages the breadth of Towers Watson's benefits expertise. Participant satisfaction within our service centers was approximately 97% for the fiscal year ended June 30, 2015.

With regard to the market for exchanges, we believe that clients base their decisions on a variety of factors that include the ability of the provider to deliver measurable cost savings for clients, a strong reputation for efficient execution, a provider's capability in delivering a broad number of configurations to serve various population segments and financing options, and an innovative service delivery model and platform.

On May 11, 2015, we acquired Acclaris Holdings, Inc. ("Acclaris"), a leading provider of Software as a Service ("SaaS") — based technology and services for consumer-driven health care and reimbursement accounts, including flexible spending accounts ("FSAs"), health savings accounts ("HSAs"), health reimbursement arrangements ("HRAs") and other consumer-directed accounts. Acclaris joined the Other line of business as the Consumer-Directed Accounts practice. While its core focus is on health plan accounts, the Acclaris platform supports more than 30 other account types including tuition, adoption, commuter and child care. We believe this platform approach helps clients address the growing and diverse demands of a constantly changing marketplace. The Acclaris acquisition also brings Towers Watson the experience of serving approximately 1.7 million consumers by managing and administering a balanced portfolio of account-based health plans ("ABHPs") for health plans, benefit consultants, private and public exchanges and financial institutions. We understand that each organization is unique, and we acquired Acclaris because it developed its solution to integrate with employee and retiree benefit strategies.

ABHPs pair a health insurance plan with a tax-advantaged spending or reimbursement account such as an HSA or an HRA. Our research shows that adoption of these kinds of plans is growing rapidly with as many as 50% of employers offering ABHPs as their only option by 2018 — up from about 20% already doing so in 2015. Our ABHPs assist employees and their families in saving money by using pre-tax dollars to pay for certain of their healthcare and dependent care expenses. Employers financially benefit from our programs through reduced payroll taxes, even after factoring in our fees. Under our FSA and HSA programs, employee participants contribute funds from their pre-tax income to pay for qualified out-of-pocket healthcare expenses not fully covered by insurance, such as co-pays, deductibles and over-the-counter medical products or for commuting costs. Under our HRA programs, employer clients provide their employee participants with a specified amount of available reimbursement funds to help their employee participants defray out-of-pocket medical expenses such as deductibles, co-insurance and co-

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payments. All amounts paid by the employer into HRAs are deductible by the employer as an ordinary business expense and are tax-free to the employee.

We believe the acquisition enhances our position as a leading benefits administration and exchange provider.

Risk and Financial Services Segment

Risk and Financial Services ("RFS") generated approximately 17% of Towers Watson's segment revenue for the fiscal year ended June 30, 2015. This segment includes two lines of business:

- Risk Consulting and Software
- Investment

We work with chief financial officers, treasurers, chief risk officers, senior actuaries, pension plan sponsors and trustees of our clients' organizations. Risk Consulting and Software has a particular focus on the insurance industry, while Investment focuses primarily on pension plans. The two lines of business also apply their expertise to serve broader markets.

We believe that we deliver significant value to our clients by bringing together capabilities from across RFS and other parts of Towers Watson to address their key issues. Our investment experts often work with colleagues in our Benefits segment on retirement financial management issues. In the future, we will look for more opportunities to combine our services to anticipate and address client needs in innovative ways.

We combine Towers Watson's innovative actuarial thinking with a range of financial modeling software products. The combination offers comprehensive solutions that enable our insurance clients to price their products, measure value, manage risk and monitor capital adequacy. We use these tools internally for consulting projects and license them to clients around the world.

Risk Consulting and Software

Our Risk Consulting and Software line of business serves the insurance industry as well as corporate clients with respect to their insurance and risk management needs. Our associates use strong analytical skills, proven consulting techniques and software solutions to help our clients improve business performance. We advise more than three-quarters of the world's leading insurers and believe we are a leading provider of financial modeling software to the insurance industry. We have more actuaries serving the insurance industry than any other consulting firm.

Our Risk Consulting and Software services include:

- Financial and regulatory reporting
- Enterprise risk and capital management
- M&A and corporate restructuring (including actuarial valuation, capital analysis and due diligence)
- Product and market strategies (including pricing and predictive modeling)
- Financial modeling
- Strategy and performance improvement
- Software solutions (including financial and capital modeling, pricing and reserving)

We provide a wide range of enterprise risk management services to help insurance companies identify and control risks, enhance risk-adjusted returns and meet strategic objectives. We are a major provider of actuarial valuation and due diligence support for insurance industry mergers, acquisitions and restructurings. We help our clients evaluate their liabilities and economic capital requirements for financial reporting and management purposes. We also help them respond to regulatory changes that affect financial reporting. We also provide other services, including product development, predictive modeling, strategies for entry into new markets, claim consulting and catastrophe modeling.

We help non-insurance entities with risk management issues, such as evaluating and optimizing their insurance programs as part of their overall risk and capital management processes, and designing and implementing risk mitigation strategies to align their risk profile with overall financial objectives. In addition, we are extending our offerings into new areas — including telematics and usage-based insurance — building on our traditional strengths in modeling and data analysis.

Investment

Our Investment line of business helps our clients manage investment complexity, establish their risk tolerance and improve governance.

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We have one of the industry's largest investment consulting businesses. Our business is focused on creating value for institutional investors by providing objective, best-in-class investment advice. We provide coordinated investment advice and solutions — based on our expertise in risk assessment, asset-liability modeling, strategic asset allocation policy setting, manager selection and investment execution — to some of the world's largest pension funds and institutional investors.

Our Investment services include:

- Investment policy, governance and risk assessment
- Investment strategy
- Structured products design
- Manager structure and selection
- Manager monitoring and evaluation (including performance reporting)
- Delegated investment services including pooled fund solutions

Approximately 150 investment research professionals across the world's major markets are experienced in economic, capital market and manager research. With deep specialist expertise in asset management, economic forecasting and actuarial science, we provide practical advice tailored to meet the specific needs of each advisory client. For clients looking to outsource responsibility for investment decision-making and/or implementation, our delegated investment services enable investors to build and maintain diversified investment portfolios customized to their risk preferences.

While our Investment clients primarily include defined benefit and defined contribution pension plans, we have seen significant growth potential in expanding our services to other institutional investors including insurance companies, wealth management companies, endowment funds and sovereign wealth funds, and we are continuing to enhance our capabilities in these areas. The addition of pooled fund solutions has enabled us to expand our delegated investment services to clients.

Talent and Rewards Segment

Talent and Rewards generated approximately 18% of Towers Watson's segment revenue for the fiscal year ended June 30, 2015. This segment includes three lines of business:

- Executive Compensation
- Rewards, Talent and Communication
- Data, Surveys and Technology

Executive Compensation

We advise our clients' management and boards of directors on all aspects of executive pay programs, including base pay, annual bonuses, long-term incentives, perquisites and other benefits. We help clients understand market practices in these areas. Given that companies in all world regions face scrutiny of executive pay from shareholders, regulators and other stakeholders, our focus is on aligning pay plans with the organization's business strategy and driving desired performance. Our services include executive compensation philosophy and strategy development, modeling and valuation of pay plan elements, performance measurement selection and calibration, board of director compensation and plan design, advice on change-in-control and severance programs, and total compensation assessment and benchmarking. We also provide clients with executive pay-related support associated with various transactions, including mergers, acquisitions, divestitures, executive transitions and business restructuring.

Our global network of executive pay practitioners — including consultants on the ground in key countries worldwide supported by research and data covering the world's top markets — provides comprehensive solutions to our clients. We have dedicated in-house experts on legislative and regulatory requirements, tax and accounting issues, proxy advisor policies, disclosure rules and other considerations in designing executive pay programs. Whether we are retained by the board's compensation committee or by management, our extensive consulting protocols help ensure that our clients receive fully independent, objective advice.

Rewards, Talent and Communication

This line of business offers a broad array of advisory services focused on designing and implementing Rewards and Talent Management programs and processes. Our solutions help companies attract and deploy talent, engage them over time, manage and reward their performance, develop their skills, provide them with relevant career paths, communicate with them and manage organizational change initiatives.

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Our primary practice areas are:

- Talent Management — We help organizations define their human capital strategies to support business goals; develop integrated talent programs and processes; assess and develop leaders and managers; and gain insight from human capital analytics.
- Rewards — We provide the tools, advisory services and execution support to help organizations design and administer effective compensation programs. We help clients optimize their reward spend and ensure their programs drive the behaviors and performance required to meet business goals. Specialized teams focus on sales effectiveness and rewards, health care, high technology and financial services industries.
- Communication and Change Management — Applying their deep expertise in change management, organizational effectiveness and communication, our communication and change management consultants helps our clients drive employee engagement, align employee behavior with business results, and communicate HR programs and processes.

Data, Surveys and Technology

This line of business provides benchmarking data, employee surveys and HR software to help companies administer and manage their talent management and reward programs.

It includes our global compensation databases; offerings in employee surveys, human capital metrics and analytics benchmarking and HR service delivery consulting, as well as software applications for talent, performance and compensation management. These services generate recurring revenue by leveraging data, technology and a pool of staff resources that is flexibly deployed.

We provide data on compensation, benefits, and HR policies and practices in 110 countries across six continents, covering over 40 industry sectors, 50 functions/job families and 4,200 international general industry and 9,900 industry-specific jobs (disciplines/career levels). Underpinned by our extensive network of regional survey experts and local consulting offices, each country’s surveys provide decision-quality data and interpretation reflecting local laws and practices. Our survey data support global clients wherever they do business.

Our assessment business helps organizations assess individuals at all stages of the employee life cycle — from candidate to leader. We provide tools for volume screening of candidates, to assess employee and leadership potential and to help individuals understand their own professional style. We work with clients of all sizes and offer ready-to-go or custom tools. At each stage of the employee life cycle — identify, select and develop — our tools are designed to simplify the process and amplify the outcome.

Our HR service delivery consulting services help employers design and implement the human resource organizational structure, service delivery model, staff and technology they need to meet the needs of the organization and employees efficiently and effectively. We support clients in developing HR technology strategy, implementing Workday, and providing consulting support related to implementation of other platforms. Our capabilities include business case development, project planning, requirements definition, process design and implementation services supported by our change management expertise.

We also provide a broad array of proprietary SaaS-based HR software solutions, including:

- Talent|REWARD, an integrated suite of applications for recruiting, performance management, global job leveling, compensation planning and administration, succession planning, career development, and learning management
- Total rewards portals and statements
- Onboarding applications
- HR and employee portals

Competition

The human capital and risk management consulting industries are highly competitive. We believe there are significant barriers to entry, and we have developed competitive advantages in providing HR consulting services. We face strong competition from several sources.

Our principal competitors in the pension consulting industry are Mercer HR Consulting (a Marsh & McLennan company) and Aon Hewitt Consulting (an Aon company). The global HR consulting industry includes other benefit and compensation firms and the human resource consulting divisions of diversified professional service firms, including Deloitte & Touche LLP, Accenture, Ernst & Young LLP and PricewaterhouseCoopers LLP. Our competitors in the area of HR software include SuccessFactors (an SAP company), Oracle's Taleo and IBM's Kenexa.

Beyond these large players, the global HR consulting industry is highly fragmented.

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Our major competitors in the insurance consulting and software industry include Milliman, Oliver Wyman (a Marsh & McLennan company), the big four accounting firms and SunGard. Aon Hewitt, Buck Consultants (a Xerox Company), Connextions (a United Healthcare company) and Mercer (a Marsh & McLennan company) are our primary competitors in the insurance exchange industry. With the implementation of the Patient Protection and Affordable Care Act, we also compete with the public exchanges run by the U.S. federal and state governments. With the acquisition of Acclaris, we now compete with providers of account-based health plans and consumer-directed benefits such as WageWorks and HealthEquity.

The market for our services is subject to change as a result of economic, regulatory and legislative changes, technological developments, and increased competition from established and new competitors. Regulatory and legislative actions, along with continuously evolving technological developments will likely have the greatest impact on the overall market for our exchange products. We believe the primary factors in selecting a human resources or risk management consulting firm include reputation, the ability to provide measurable increases to shareholder value and return on investment, global scale, quality of service and the ability to tailor services to clients' unique needs. With regard to the market for exchanges, we believe that clients base their decisions on a variety of factors that include the ability of the provider to deliver measurable cost savings for clients, a strong reputation for efficient execution, a provider's capability in delivering a broad number of configurations to serve various population segments and financing options, and an innovative service delivery model and platform. For our traditional consulting and risk management services and the rapidly evolving exchange products, we believe we compete favorably with respect to these factors.

Executive Officers of the Company

As of August 14, 2015, the following individuals were executive officers of the Company:

Anne D. Bodnar (age 58) has served on Towers Watson's Management Committee since January 2015 and has been the Company's Chief Administrative Officer since January 1, 2010. She previously served as Managing Director of HR at Towers Perrin beginning in 2001. From 1995 to 2000, Ms. Bodnar led the firm's recruiting and learning and development efforts. Prior to that, she was a strategy consultant in the firm's Human Capital business. Earlier in her career, Ms. Bodnar held several operational and strategic planning roles at what is now JP Morgan Chase. Ms. Bodnar has published a chapter entitled "HR as a Strategic Partner" in Human Resources Leadership Strategies: Fifteen Ways to Enhance HR Value in Your Company. She was elected to the YWCA's Academy of Women Achievers in 1999. Ms. Bodnar graduated cum laude and Phi Beta Kappa from Smith College and has an M.B.A. from Harvard Business School.

James K. Foreman (age 57) has served as Managing Director of the Exchange Solutions business segment since February 1, 2014, and prior to that, as Managing Director, The Americas of Towers Watson since April 1, 2011. Immediately prior to that, he served as Managing Director of the North America region. Prior to the Towers Perrin | Watson Wyatt Merger, Mr. Foreman served as Managing Director of the Human Capital Group of Towers Perrin beginning June 2007, with overall responsibility for the global lines of business and geographic operations of Towers Perrin's Human Capital Group. Mr. Foreman joined Towers Perrin in 1985 and worked for almost 20 years at Towers Perrin in a number of leadership positions, including Managing Director of Towers Perrin's Health & Welfare practice and member of Towers Perrin's board of directors from 2003 to 2005, before joining Aetna Inc. in 2005 to become the executive vice president of its national businesses division. He rejoined Towers Perrin in June 2007. Mr. Foreman holds a B.A. in Business Economics from the University of California at Los Angeles.

Julie J. Gebauer (age 54) has served as Managing Director of Towers Watson's Talent and Rewards business segment since January 1, 2010. Beginning in 2002, she served as a Managing Director of Towers Perrin and led Towers Perrin's global Workforce Effectiveness Practice and the global Towers Perrin-International Survey Research Corporation line of business. Ms. Gebauer was a member of Towers Perrin's board of directors from 2003 through 2006. She joined Towers Perrin in 1986 as a consultant and held several leadership positions at Towers Perrin, serving as the Managing Principal for the New York office from 1999 to 2001 and the U.S. East Region Leader for the Human Capital Group from 2002 to 2006. Ms. Gebauer is a fellow of the Society of Actuaries and is an Enrolled Actuary in the Joint Board for Enrolled Actuaries. Ms. Gebauer graduated Phi Beta Kappa from the University of Nebraska-Lincoln with a B.S. in Mathematics.

John J. Haley (age 65) has served as the Chief Executive Officer and Chairman of the Board of Directors of Towers Watson since January 1, 2010, and as President since October 3, 2011. Previously, he served as President and Chief Executive Officer of Watson Wyatt beginning on January 1, 1999, as Chairman of the Board of Watson Wyatt beginning in 1999 and as a director of Watson Wyatt beginning in 1992. Mr. Haley joined Watson Wyatt in 1977. Prior to becoming President and Chief Executive Officer of Watson Wyatt, he was the Global Director of the Benefits Group at Watson Wyatt. Mr. Haley is a Fellow of the Society of Actuaries, and a member of the American Academy of Actuaries and the Conference of Consulting Actuaries. He is also 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,

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and Hudson Global, 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.

Carl A. Hess (age 53) has served as Managing Director, The Americas of Towers Watson since February 1, 2014, and prior to that he served as the Managing Director of Towers Watson's Investment business since January 1, 2010. Prior to that, he worked in a variety of roles over 20 years at Watson Wyatt, lastly as Global Practice Director of Watson Wyatt's investment business. Mr. Hess is a fellow of the Society of Actuaries and the Conference of Consulting Actuaries, and a Chartered Enterprise Risk Analyst. He has a B.A. cum laude in Logic and Language from Yale University.

Kirkland L. Hicks (age 43) has served as Vice President, General Counsel and Secretary of Towers Watson since November 2012. From July 2011 to October 2012, he served as chair of Towers Watson's Diversity and Inclusion Council for the Americas. Mr. Hicks was previously the Managing Counsel-Commercial, Americas for Towers Watson from January 2010 to November 2012. Prior to that, he was Senior Counsel and head of Commercial Law at Watson Wyatt Worldwide, Inc. from May 2000 to December 2009. Mr. Hicks was previously an attorney with major law firms from 1997 to 2000. He has a B.S. in computer science from North Carolina A&T State University and a J.D. from Duke University School of Law, where he serves on the board of visitors. Mr. Hicks has also completed an executive leadership program at Harvard Business School. He is a member of the District of Columbia, Maryland and Virginia (corporate counsel) bars, the Association of Corporate Counsel and The Conference Board Council of Chief Legal Officers.

Roger F. Millay (age 57) has served as Vice President and Chief Financial Officer of Towers Watson since January 1, 2010, and he previously held the same position at Watson Wyatt from August 2008 until the consummation of the Towers Perrin | Watson Wyatt Merger. Prior to joining Watson Wyatt, Mr. Millay was with Discovery Communications LLC, a global cable TV programmer and digital media provider, where he served as Senior Executive Vice President and Chief Financial Officer beginning in 2006. At Discovery, he was responsible for the global financial functions, including accounting, treasury, budgeting, audit and tax. From 1999 to 2006, Mr. Millay was Senior Vice President and Chief Financial Officer with Airgas, Inc., an industrial gases and supplies distributor and producer. Mr. Millay has over 25 years of experience in financial officer positions, including roles at Arthur Young & Company, Citigroup, and GE Capital. He holds a B.A. degree from the University of Virginia and an M.S. in Accounting from Georgetown University's Graduate School of Business, and he is a Certified Public Accountant.

Paul G. Morris (age 51) has served as Managing Director for Towers Watson in Europe, the Middle East and Africa since September 1, 2011. Previously, he served as Director, Consulting Services, for Towers Watson beginning January 1, 2010. Mr. Morris served as a Managing Consultant of Watson Wyatt from 2005 until the consummation of the Towers Perrin | Watson Wyatt Merger. He joined The Wyatt Company in 1988. Following the establishment of the global Watson Wyatt Worldwide alliance in 1995, Mr. Morris served as a Senior Consultant of Watson Wyatt Partners from 1995 through 1999 and became a partner in 1999. Mr. Morris is a Fellow of the Society of Actuaries, a Member of the Institute of Actuaries, and has a B.A. in Applied Mathematics from Harvard College and an M.Sc. in Applied Mathematics from Harvard Graduate School of Arts and Sciences.

Eric Speer (age 55) has served as the Managing Director of the Risk and Financial Services business segment of Towers Watson since July 1, 2015. Mr. Speer served as the Managing Director of the Risk and Consulting Services business of Towers Watson from September 2014 through June 2015, and served as Managing Director and Americas East Division Leader for Towers Watson from January 2010 through August 2014. He was a member of Towers Perrin's board of directors from 2004 until the time of the Towers Perrin | Watson Wyatt Merger. He originally joined Towers Perrin in 1988, and remained with the company for all but a year and a half since 1988, and has held a number of leadership positions at the company. Mr. Speer graduated from Williams College with a B.A. degree in Economics and an MBA from the Amos Tuck School at Dartmouth College.

Gene H. Wickes (age 63) has served as the Managing Director of the Benefits business segment of Towers Watson since January 1, 2010. Previously, he served as the Global Director of the Benefits Practice of Watson Wyatt beginning in 2005 and as a member of Watson Wyatt's board of directors from 2002 to 2007. Mr. Wickes was Watson

Wyatt's Global Retirement Practice Director in 2004 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. Prior to joining Watson Wyatt, he spent 18 years with Towers Perrin, where he assisted organizations with welfare, retirement, and executive benefit issues. Mr. Wickes is a Fellow of the Society of Actuaries and a member of the Conference of Consulting 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.

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Access to Public Filings, Code of Business Conduct and Ethics and Board Committee Charters

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports are available, without charge, on our web site (www.towerswatson.com) as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). These reports are also available without charge on the SEC web site (www.sec.gov). We have adopted a Code of Business Conduct and Ethics applicable to all associates, senior financial employees, the principal executive officer, other officers and members of senior management. We also have a Code of Business Conduct and Ethics that applies to all of our directors. Both codes are posted on our website. Any amendments to the codes or any waivers of the director code requirements, or to the Code of Business Conduct and Ethics for any of our Chief Executive Officer, Chief Financial Officer, or our Chief Accounting Officer and Controller will be disclosed on our website or in a Form 8-K. Towers Watson's Audit Committee, Compensation Committee, Nominating and Governance Committee and Risk Committee all operate pursuant to written charters adopted by our board of directors, which are available on our website. We have also adopted a set of Corporate Governance Guidelines, copies of which are available on our website. Copies of all of these documents are also available, without charge, from our Investor Relations Department at 901 N. Glebe Road, Arlington, VA 22203.

Item 1A — Risk Factors.

In addition to the factors discussed elsewhere in this Annual Report on Form 10-K, the following are some of the important factors that could cause our actual results to differ materially from those projected in any forward-looking statements. These risk factors should be carefully considered in evaluating our business. The descriptions below are not the only risks and uncertainties that we face. Additional risks and uncertainties that are presently unknown to us may also impair our business operations, financial condition or results. If any of the risks and uncertainties below or other risks were to occur, our business operations, financial condition or results of operations could be materially and adversely impacted.

On June 29, 2015, Towers Watson entered into an Agreement and Plan of Merger (the "Towers Watson | Willis Merger Agreement") by and among Towers Watson, Willis Group Holdings plc, an Irish public limited company ("Willis"), and Citadel Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Willis ("Willis Merger Sub").

Subject to the terms and conditions of the Towers Watson | Willis Merger Agreement, Willis Merger Sub will merge with and into Towers Watson (the "Towers Watson | Willis Merger"), with Towers Watson surviving the Towers Watson | Willis Merger as a subsidiary of Willis.

Willis will file a registration statement on Form S-4 with the Securities and Exchange Commission that will include a joint proxy statement/prospectus relating to the proposed Towers Watson | Willis Merger. We urge you to read the registration statement on Form S-4 once it becomes available, because it will contain important information about the proposed Towers Watson | Willis Merger, including relevant risk factors.

Risks Relating to the Pending Towers Watson | Willis Merger of Equals

The Towers Watson | Willis Merger Agreement may be terminated in accordance with its terms and the Towers Watson | Willis Merger may not be completed.

The Towers Watson | Willis Merger Agreement contains a number of conditions that must be fulfilled to complete the Towers Watson | Willis Merger. Those conditions include: approval of the Towers Watson | Willis Merger Agreement by Towers Watson stockholders, approval of Willis' issuance of shares in connection with the Towers Watson | Willis Merger by Willis shareholders, clearance under the HSR Act and other anti-competition clearances, receipt of other regulatory approvals, absence of orders prohibiting completion of the Towers Watson | Willis Merger, effectiveness of the registration statement Willis will file in connection with the Towers Watson | Willis Merger, approval of the Willis ordinary shares to be issued to Towers Watson stockholders for listing on the New York Stock Exchange ("NYSE") and/or National Association of Securities Dealers Automated Quotation ("NASDAQ"), Willis not being treated as a domestic corporation for U.S. federal income tax purposes as of or after the closing date of the Towers Watson | Willis Merger as a result of a change in law, the continued accuracy of the representations and warranties of both parties subject to specified materiality standards, the performance by both parties of their covenants and agreements and that no material adverse effect shall have occurred. The conditions to the closing of the Towers Watson | Willis Merger may not be fulfilled and, accordingly, the Towers Watson | Willis Merger may not be completed. In addition, if the Towers Watson | Willis Merger is not completed by March 31, 2016, either Willis or Towers Watson may choose not to proceed with the Towers Watson | Willis Merger. In addition, Willis or Towers Watson may elect to terminate the Towers Watson | Willis Merger Agreement in certain other circumstances, and the parties can mutually decide to terminate the Towers Watson | Willis Merger Agreement at any time prior to the consummation of the Towers Watson | Willis Merger, before or after shareholder or stockholder approval, as applicable.

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The Towers Watson | Willis Merger Agreement contains provisions that restrict Towers Watson's ability to pursue alternatives to the Towers Watson | Willis Merger and, in specified circumstances, could require Towers Watson to pay Willis a termination fee of up to $255 million.

Under the Towers Watson | Willis Merger Agreement, Towers Watson is restricted, subject to certain exceptions, from soliciting, initiating, knowingly encouraging, knowingly facilitating, discussing or negotiating, or furnishing information with regard to, any inquiry, proposal or offer for a competing acquisition proposal from any person or entity. If the Towers Watson board of directors (after consultation with Towers Watson's financial advisors and legal counsel) determines that such proposal is more favorable to the Towers Watson stockholders than the Towers Watson | Willis Merger and the Towers Watson board of directors recommends such proposal to the Towers Watson stockholders, Willis may be entitled to terminate the Towers Watson | Willis Merger Agreement. Under such circumstances, Towers Watson may be required to pay Willis a termination fee equal to $255,000,000. These provisions could discourage a third party that may have an interest in acquiring all or a significant part of Towers Watson from considering or proposing that acquisition, even if such third party were prepared to enter into a transaction that would be more favorable to Towers Watson and its stockholders than the Towers Watson | Willis Merger. Additionally, in the event the Towers Watson | Willis Merger Agreement is terminated due to the failure of the Towers Watson stockholders to approve the Towers Watson | Willis Merger Agreement or Willis terminates the Towers Watson | Willis Merger Agreement due to a breach by Towers Watson which would result in the conditions to the consummation of the Towers Watson | Willis Merger not being satisfied, Towers Watson must reimburse Willis for any and all out-of-pocket fees and expenses up to $45,000,000.

While the Towers Watson | Willis Merger is pending, Towers Watson will be subject to business uncertainties that could adversely affect its business.

Uncertainty about the effect of the Towers Watson | Willis Merger on associates, clients, suppliers, business partners and other persons with whom Towers Watson has a business relationship may have an adverse effect on Towers Watson. In connection with the pendency of the Towers Watson | Willis Merger, clients, suppliers, business partners and other persons with whom Towers Watson has a business relationship may delay or defer business decisions, decide to terminate, modify or renegotiate their relationships with Towers Watson, or take other actions as a result of the Towers Watson | Willis Merger that could negatively affect Towers Watson's revenues, earnings and cash flows, as well as the market price of its securities. Towers Watson's ability to raise additional capital through the debt markets, and the associated borrowing costs, may also be negatively impacted.

These uncertainties about the effect of the Towers Watson | Willis Merger may impair Towers Watson's ability to attract, retain and motivate key personnel until the Towers Watson | Willis Merger is consummated and for a period of time thereafter, and could cause clients, suppliers and others who deal with Towers Watson to seek to change existing business relationships with Towers Watson, or enter into business relationships with parties other than Towers Watson. Associate retention may be challenging during the pendency of the Towers Watson | Willis Merger, as certain associates may experience uncertainty about their future roles. If key associates depart, the business of Towers Watson prior to the Towers Watson | Willis Merger, and the business of the combined company following the Towers Watson | Willis Merger, could be materially harmed. If key associates join a competitor or form a new competitor, existing and potential clients could choose to use the services of that competitor instead of the services of Towers Watson. In addition, the Towers Watson | Willis Merger Agreement restricts Towers Watson from taking specified actions until the Towers Watson | Willis Merger occurs without the consent of the other party. These restrictions may prevent Towers Watson from pursuing attractive business opportunities that may arise prior to the completion of the Towers Watson | Willis Merger. The adverse effects of the pendency of the Towers Watson | Willis Merger could be exacerbated by any delays in completion of the Towers Watson | Willis Merger or termination of the Towers Watson | Willis Merger Agreement.

Legal proceedings in connection with the Towers Watson | Willis Merger, the outcomes of which are uncertain, could delay or prevent the completion of the Towers Watson | Willis Merger.

Since the announcement of the Towers Watson | Willis Merger Agreement on June 30, 2015, several class actions have been filed in the Court of the Chancery for the State of Delaware, against Towers Watson, the members of its board of directors, Willis and Willis Merger Sub challenging the proposed Towers Watson | Willis Merger. The actions allege that the Towers Watson board of directors breached their fiduciary duties to the Towers Watson stockholders in connection with the Towers Watson | Willis Merger and that Willis and Willis Merger Sub aided and abetted the directors' breaches of fiduciary duties. Plaintiffs claim that the Towers Watson | Willis Merger involves an unfair price, an inadequate sales process, self-dealing, unreasonable deal protection devices and inadequate disclosures. Among other remedies, the plaintiffs seek to enjoin the Towers Watson | Willis Merger. Such legal proceedings could delay or prevent the Towers Watson | Willis Merger from becoming effective within the agreed upon timeframe.

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Failure to complete the Towers Watson | Willis Merger could negatively impact Towers Watson and its future operations.

If the Towers Watson | Willis Merger is not completed for any reason, Towers Watson may be subjected to a number of material risks. The price of Towers Watson common stock may decline to the extent that their current market prices reflect a market assumption that the Towers Watson | Willis Merger will be completed. In addition, some costs related to the Towers Watson | Towers Watson | Willis Merger must be paid by Towers Watson whether or not the Towers Watson | Willis Merger is completed. Furthermore, Towers Watson may experience negative reactions from its stockholders, clients and associates.

Towers Watson has incurred and will incur direct and indirect costs as a result of the Towers Watson | Willis Merger.

Towers Watson has incurred and will incur substantial expenses in connection with completing the Towers Watson | Willis Merger, and also expects to incur substantial expenses in connection with coordinating the businesses, operations, policies and procedures of Willis and Towers Watson over a period of time following the completion of the Towers Watson | Willis Merger. A portion of the transaction costs related to the Towers Watson | Willis Merger will be incurred regardless of whether the Towers Watson | Willis Merger is completed. While Towers Watson has assumed that a certain level of transaction and coordination expenses will be incurred, there are a number of factors beyond Towers Watson's control that could affect the total amount or the timing of these transaction and coordination expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately. These expenses may exceed the costs historically borne by Towers Watson. These costs could adversely affect the financial condition and results of operation of Towers Watson prior to the Towers Watson | Willis Merger and of the combined company following the Towers Watson | Willis Merger.

The market price for Willis ordinary shares following the closing of the Towers Watson | Willis Merger may be affected by factors different from those that historically have affected Towers Watson common stock and Willis ordinary shares.

Upon completion of the Towers Watson | Willis Merger, holders of shares of Towers Watson common stock (other than Willis, Merger Sub and Towers Watson and any holders who are entitled to and who properly exercise and perfect dissenter's rights under Delaware law) will become holders of Willis ordinary shares. Willis' businesses differ from those of Towers Watson, and accordingly the results of operations of Willis will be affected by some factors that are different from those currently affecting the results of operations of Towers Watson. The results of operation of the combined company may also be affected by factors different from those currently affecting Willis.

Willis ordinary shares to be received by Towers Watson stockholders as a result of the Towers Watson | Willis Merger will have rights different from the shares of Towers Watson common stock.

Upon completion of the Towers Watson | Willis Merger, the rights of former Towers Watson stockholders who become Willis shareholders will be governed by the Constitution of Willis and by Irish law. The rights associated with shares of Towers Watson common stock are different from the rights associated with Willis ordinary shares. Material differences between the rights of stockholders of Towers Watson and the rights of shareholders of Willis include differences with respect to, among other things, consolidation and division of shares, reduction of share capital, distributions, dividends, repurchases and redemptions, dividends in shares / bonus issues, the election of directors, the removal of directors, the fiduciary and statutory duties of directors, conflicts of interests of directors, the indemnification of directors and officers, limitations on director liability, the convening of annual meetings of shareholders or stockholders (as applicable), and special shareholder or stockholder meetings (as applicable), notice provisions for meetings, the adjournment of shareholder or stockholder meetings (as applicable), the exercise of voting rights, shareholder or stockholder action by written consent (as applicable), shareholder or stockholder suits (as applicable), shareholder or stockholder approval of certain transactions (as applicable), rights of inspection of books and records, rights of dissenting shareholders or stockholders (as applicable), anti-takeover measures and provisions relating to the ability to amend the governing documents.

Willis and Towers Watson may fail to realize all of the anticipated benefits of the Towers Watson | Willis Merger or those benefits may take longer to realize than expected. The combined company may also encounter significant difficulties in integrating the two businesses.

The ability of Willis and Towers Watson to realize the anticipated benefits of the transaction will depend, to a large extent, on the combined company's ability to integrate the two businesses. The combination of two independent businesses is a complex, costly and time-consuming process. As a result, Willis and Towers Watson will be required to devote significant management attention and resources to integrating their business practices and operations. The integration process may disrupt the businesses and, if implemented ineffectively, would restrict the realization of the full-expected benefits. The failure to meet the challenges involved in integrating the two businesses and to realize the anticipated benefits of the transaction could cause an interruption of or a loss of momentum in, the activities of the combined company and could adversely affect the results of operations of the combined company.

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In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of client relationships, and diversion of management's attention. The difficulties of combining the operations of the companies include, among others:

- the diversion of management's attention to integration matters;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from the combination;
- difficulties in the integration of operations and systems;
- conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures between the two companies;
- difficulties in the assimilation of employees;
- difficulties in managing the expanded operations of a significantly larger and more complex company;
- difficulties in establishing effective uniform controls, systems, procedures and policies for the combined company;
- challenges in keeping existing clients and obtaining new clients;
- challenges in attracting and retaining key personnel; and
- coordinating a geographically dispersed organization.

Many of these factors will be outside of the control of Willis or Towers Watson and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact the business, financial condition and results of operations of the combined company. In addition, even if the operations of the businesses of Willis and Towers Watson are integrated successfully, the full benefits of the transaction may not be realized, including the synergies, cost savings or sales or growth opportunities that are expected. These benefits may not be achieved within the anticipated time frame, or at all. Further, additional unanticipated costs may be incurred in the integration of the businesses of Willis and Towers Watson. All of these factors could cause dilution to the earnings per share of the combined company, decrease or delay the expected accretive effect of the transaction and negatively impact the price of the combined company's ordinary shares. As a result, we cannot assure you that the combination of Willis and Towers Watson will result in the realization of the full benefits anticipated from the transaction.

Risks Relating to our Business

Demand for our services could decrease for various reasons, including a general economic downturn, a decline in a client's or an industry's financial condition or prospects, or a decline in defined benefit pension plans that could materially adversely affect our results of operations.

We can give no assurance that the demand for our services will grow or that we will compete successfully with our existing competitors, new competitors or our clients' internal capabilities. Client demand for our services may change based on the clients' needs and financial conditions.

Our results of operations are affected directly by the level of business activity of our clients, which in turn are affected by the level of economic activity in the industries and markets that they serve. Economic slowdowns in some markets, particularly in the United States, have caused and may continue to cause reduction in discretionary spending by our clients, result in longer client payment terms, an increase in late payments by clients and an increase in uncollectible accounts receivable, each of which may reduce the demand for our services, increase price competition and adversely impact our growth, profit margins and liquidity. If our clients enter bankruptcy or liquidate their operations (which has already occurred with respect to some of our current clients), our revenues could be materially adversely affected.

In addition, the demand for many of our core benefit services, including compliance-related services, is affected by government regulation and taxation of employee benefit plans. Significant changes in tax or social welfare policy or other regulations could lead some employers to discontinue their employee benefit plans, including defined benefit pension plans, thereby reducing the demand for our services. A simplification of regulations or tax policy also could reduce the need for our services.

We could be subject to claims arising from our work, as well as government inquiries and investigations, which could materially adversely affect our reputation, business and financial condition.

Professional services providers, including those in the human capital and risk management sectors such as Towers Watson, depend in large part on their relationships with clients and their reputation for high-quality services. Clients that may become dissatisfied with our services may terminate their business relationships with us and clients and third parties that claim they suffered damages caused by our services may bring lawsuits against us. The nature of our work, particularly our actuarial services, necessarily involves the use of assumptions and the preparation of estimates relating to future and contingent events,

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the actual outcome of which we cannot know in advance. Our actuarial services also rely on substantial amounts of data provided by clients, the accuracy and quality of which we cannot ensure. In addition, we could make computational, software programming or data management errors in connection with the services we provide to clients.

Clients may seek to hold us responsible for the financial consequences of variances between assumptions and estimates and actual outcomes or for errors. For example, clients may make:

- Claims that actuarial assumptions were unreasonable or that there were computational errors leading to pension plan underfunding or under-reserving for insurance claim liabilities;
- Claims of failure to review adequately or detect deficiencies in data, which could lead to an underestimation of pension plan or insurance claim liabilities; and
- Claims that employee benefit plan documents were misinterpreted or plan amendments were faulty, leading to unintended plan benefits or overpayments to beneficiaries.

Given that we frequently work with large pension funds and insurance companies, relatively small percentage errors or variances can create significant financial variances and result in significant claims for unintended or unfunded liabilities. The risks from such variances or errors could be aggravated in an environment of declining pension fund asset values and insurance company capital levels. In almost all cases, our exposure to liability with respect to a particular engagement is substantially greater than the revenue opportunity that the engagement generates for us.

In the case of liability for pension plan actuarial errors, a client's claims might focus on the client's alleged reliance that actuarial assumptions were reasonable and, based on such reliance, the client made benefit commitments the client may later claim are not affordable or funding decisions that result in plan underfunding if and when actual outcomes vary from actuarial assumptions.

Lawsuits arising out of any of our services could adversely affect our financial performance and financial condition and could result in increased insurance costs or a reduction in the amount of available insurance coverage. In addition to defense costs and liability exposure, which may be significant, claims may produce negative publicity that could hurt our reputation and business and could require substantial amounts of management attention, which could affect management's focus on operations.

Finally, we may be subject to inquiries and investigations by federal, state or other governmental agencies regarding aspects of our clients' businesses or our own businesses, especially regulated businesses such as our broker-dealer and investment advisory services. Such inquiries or investigations may consume significant management time and result in regulatory sanctions, fines or other actions as well as significant legal fees, which could have a material adverse impact on our business, results of operations and liquidity.

We could have liability or our reputation could be damaged if we do not protect client data or information systems or if our information systems are breached.

We depend on information technology networks and systems to process, transmit and store electronic information and to communicate among our locations around the world and with our alliance partners and clients. Cyber security breaches could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of confidential information. We also are required at times to manage, utilize and store sensitive or confidential client or employee data. As a result, we are subject to numerous U.S. and foreign jurisdiction laws and regulations designed to protect this information, such as the European Union Directive on Data Protection and various U.S. federal and state laws governing the protection of health or other individually identifiable information. If any person, including any of our associates, fails to comply with, disregards or intentionally breaches our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to monetary damages, fines or criminal prosecution. Unauthorized disclosure of sensitive or confidential client or employee data, whether through systems failure, accident, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems or those we develop for our clients, whether by our associates or third parties, could result in significant additional expenses (including expenses relating to notification of data security breaches and costs of credit monitoring services), negative publicity, legal liability and damage to our reputation, as well as require substantial resources and effort of management, thereby diverting management's focus and resources from business operations.

Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.

Should we experience a disaster or other business continuity problem, such as an earthquake, hurricane, terrorist attack, pandemic, security breach, power loss, telecommunications failure or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of our computer,

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telecommunication and other related systems and operations. In such an event, we could experience near-term operational challenges with regard to particular areas of our operations.

In particular, our ability to recover from any disaster or other business continuity problem will depend on our ability to protect our technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. We could potentially lose client data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster.

We will continue to regularly assess and take steps to improve upon our business continuity plans. However, a disaster on a significant scale or affecting certain of our key operating areas within or across regions, or our inability to successfully recover should we experience a disaster or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm, damaged client relationships or legal liability.

Damage to our reputation could damage our businesses.

Maintaining a positive reputation is critical to our ability to attract and maintain relationships with clients and associates. Damage to our reputation could therefore cause significant harm to our business and prospects. Harm to our reputation can arise from numerous sources, including, among others, employee misconduct, litigation or regulatory action, failure to deliver minimum standards of service and quality, compliance failures and unethical behavior. Negative publicity regarding us, whether or not true, may also result in harm to our prospects.

We could also suffer significant reputational harm if we fail to properly identify and manage potential conflicts of interest. The failure or perceived failure to adequately address conflicts of interest could affect the willingness of clients to deal with us, or give rise to litigation or enforcement actions. There can be no assurance that conflicts of interest will not arise in the future that could cause material harm to us.

The ongoing uncertainty and volatility in the financial markets related to the U.S. budget deficit, the European sovereign debt crisis and the state of the U.S. economic recovery may adversely affect the Company's operating results.

Global financial markets continue to experience disruptions, including increased volatility, and diminished liquidity and credit availability. In particular, developments in Europe have created uncertainty with respect to the ability of certain European countries to continue to service their sovereign debt obligations. This debt crisis and related European financial restructuring efforts may cause the value of the Euro to deteriorate, reducing the purchasing power of our European clients and reducing the translation of Euro based revenues into U.S. dollars. For the year ended June 30, 2015, approximately 13% of our revenues were derived from countries which use the Euro as their primary currency. In the event that one or more countries were to replace the Euro with their legacy currency, then the Company's sales in and to such countries, or Europe generally, would likely be adversely affected until stable exchange rates were established. In addition, the European crisis is contributing to instability in global credit markets. If global economic and market conditions, or economic and financial market conditions in Europe, the United States or other key markets, remain uncertain, persist, or deteriorate further, our clients may respond by suspending, delaying or reducing their expenditures, which may adversely affect our cash flows and results of operations.

The loss of key associates could damage or result in the loss of client relationships and could result in such associates competing against Towers Watson.

Our success depends on our ability to attract, retain and motivate qualified personnel, including key managers and associates. In addition, our success largely depends upon our associates' abilities to generate business and provide quality services. In particular, our associates' business relationships with our clients are a critical element of obtaining and maintaining client engagements. If we lose associates who manage substantial client relationships or possess substantial experience or expertise or if we are unable to successfully attract new talent, it could materially adversely affect our ability to secure and complete engagements, which would materially adversely affect our results of operations and prospects. In addition, if any of our key associates were to join a competitor or form a competing company, existing and potential clients could choose to use the services of that competitor instead of Towers Watson's services.

Over time, the trend of employers shifting from defined benefit plans to defined contribution plans could materially adversely affect our business and results of operations.

Our retirement consulting and actuarial business comprises a substantial portion of our revenue and profit. We provide clients with actuarial and consulting services relating to both defined benefit and defined contribution pension plans. Defined benefit pension plans generally require more actuarial services than defined contribution plans because defined benefit plans typically involve large asset pools, complex calculations to determine employer costs, funding requirements and sophisticated analysis to

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match liabilities and assets over long periods of time. If organizations shift to defined contribution plans more rapidly than we anticipate, or if we are unable to otherwise compensate for the decline in our business that results from employers moving away from defined benefit plans, our business operations and related results of operations will be materially adversely affected.

We are subject to risks of doing business internationally.

For the year ended June 30, 2015, 44% of our revenue relates to business located outside the United States. As a result, a significant portion of our business operations is subject to foreign financial, tax and business risks, which could arise in the event of:

- Currency exchange rate fluctuations;
- Unexpected increases in taxes or changes in U.S. or foreign tax laws;
- Compliance with a variety of international laws and regulations, such as data privacy, employment regulations, trade barriers and restrictions on the import and export of technologies, as well as U.S. laws affecting the activities of U.S. companies abroad, including the Foreign Corrupt Practices Act of 1977 and sanctions programs administered by the U.S. Department of the Treasury Office of Foreign Assets Control, and similar foreign laws such as the U.K. Bribery Act;
- Absence in some jurisdictions of effective laws to protect our intellectual property rights;
- New regulatory requirements or changes in policies and local laws that materially affect the demand for our services or directly affect our foreign operations;
- Local economic and political conditions, including unusual, severe, or protracted recessions in foreign economies and inflation risk;
- The length of payment cycles and potential difficulties in collecting accounts receivable, particularly in light of the number of insolvencies in the current economic environment and the numerous bankruptcy laws to which they are subject;
- Unusual and unexpected monetary exchange controls, price controls or restrictions on transfers of cash; or
- Civil disturbance, terrorism or other catastrophic events that reduce business activity in other parts of the world.

These factors may lead to decreased revenues or profits and therefore may have a material adverse effect on our business, financial condition and results of operations.

Our clients could terminate or reduce our services at any time, which could decrease associate utilization, adversely impacting our profitability and results of operations.

Our clients generally are able to terminate or reduce our engagements at any time. If a client reduces the scope of, or terminates the use of, our services with little or no notice, our associate utilization will decline. In such cases, we will need to rapidly re-deploy our associates to other engagements (if possible) in order to minimize the potential negative impact on our financial performance. In addition, because a sizeable portion of our work is project-based rather than recurring in nature, our associate utilization will depend on our ability to continually secure additional engagements.

Our quarterly revenues could fluctuate while our expenses are relatively fixed.

Quarterly variations in our revenues and results of operations have occurred in the past and could occur as a result of a number of factors, such as:

- The significance of client engagements commenced and completed during a quarter;
- The seasonality of certain types of services. For example, our retirement revenues typically are more heavily weighted toward the first and fourth quarters of the calendar year, when annual actuarial valuations are required to be completed for calendar year-end companies and the related services are performed;
- The number of business days in a quarter;
- Associate hiring and utilization rates;
- Clients' ability to terminate engagements without penalty;
- The size and scope of assignments; and
- General economic conditions.

A sizeable portion of our total operating expenses is relatively fixed, encompassing the majority of administrative, occupancy, communications and other expenses, depreciation and amortization, and salaries and employee benefits excluding fiscal year-end incentive bonuses. Therefore, a variation in the number of client assignments or in the timing of the initiation or the

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completion of client assignments or our inability to forecast demand can cause significant variations in quarterly operating results and could result in losses and volatility in our stock price.

Improper management of our engagements could hurt our financial results.

Most of our contracts are structured on a fixed-fee basis or a time-and-expense basis. The profitability of our fixed-fee engagements depends on our ability to correctly estimate the costs and timing required for completion of the engagements and our ability to control our costs and improve our efficiency. The profitability of the engagements that are priced on a time-and-expense basis depends on our ability to maintain competitive billing rates, as well as our ability to control our costs. If we do not correctly estimate the costs and manage the performance of our engagements, we may incur losses on individual engagements and experience lower profit margins and, as a result, our overall financial results could be materially adversely affected.

Our business will be negatively affected if we are not able to anticipate and keep pace with rapid changes in government regulations or if government regulations decrease the need for our services or increase our costs.

A material portion of our revenue is affected by statutory changes. Many areas in which we provide services are the subject of government regulation, which is constantly evolving. Changes in government and accounting regulations in the United States and the United Kingdom, two of our principal geographic markets, affecting the value, use or delivery of benefits and human capital programs, including recent changes in regulations relating to health care (such as medical plans), defined contribution plans (such as 401(k) plans), defined benefit plans (such as pension plans) or executive compensation, may materially adversely affect the demand for, or the profitability of, our services. In addition, more restrictive rules or interpretations of the federal Centers for Medicare Services marketing rules, or judicial decisions that restrict or otherwise change existing provisions of U.S. healthcare regulation, could have a material adverse impact on our Exchange Solutions business. Further, changes to insurance regulatory schemes, or our failure to keep pace with such changes, could negatively affect demand for services in our Risk and Financial Services business segment. For example, our continuing ability to provide investment advisory services depends on compliance with the rules and regulations in each of these jurisdictions. Any failure to comply with these regulations could lead to disciplinary action, including compensating clients for loss, the imposition of fines or the revocation of the authorization to operate as well as damage to our reputation.

In addition, we have significant operations throughout the world, which further subject us to applicable laws and regulations of countries outside the United States and the United Kingdom. Changes in legislation or regulations and actions by regulators in particular countries, including changes in administration and enforcement policies, could require operational improvements or modifications, which may result in higher costs or hinder our ability to operate our business in those countries.

If we are unable to adapt our services to applicable laws and regulations, our ability to provide effective services in these areas will be substantially diminished.

Our business could be negatively affected by recently enacted or future legislative or regulatory activity concerning compensation consultants.

Recent legislative and regulatory activity in the United States has focused on the independence of compensation consultants retained to provide advice to compensation committees of publicly traded companies. In 2009, the SEC published final rules, which became effective in 2010, with respect to issuer disclosures on compensation consultants. Among other requirements, the rules require disclosure of fees paid to compensation consultants as well as a description of any additional services provided to the issuer by the compensation consultant and its affiliates and the aggregate fees paid for such services. Due in part to this regulation and continued legislative activity, prior to the Towers Perrin | Watson Wyatt Merger, some clients of Towers Perrin and Watson Wyatt and, after the Towers Perrin | Watson Wyatt Merger, some clients of Towers Watson decided to terminate their relationships with the respective company (either with respect to compensation consulting services or with respect to other consulting services) to avoid perceived or potential conflicts of interest.

In addition, in 2010, the U.S. President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires the SEC to issue rules directing national securities exchanges and associations to require the compensation committee of a listed company to consider the independence of an advisor when selecting a compensation consultant. The SEC was also required to identify factors affecting independence.

In 2012, the SEC issued final rules to implement these provisions of the Dodd-Frank Act pertaining to the role of, and certain disclosure relating to, compensation consultants. The final rules require the national security exchanges to adopt listing standards requiring a company's compensation committee to consider certain independence factors, including whether the compensation consultant's firm provides other services to the company, before selecting a compensation consultant. These rules also require a company to disclose in its proxy statement whether its compensation committee has retained or obtained the

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advice of a compensation consultant, whether the work of the compensation consultant raised any conflicts of interest, and if so, the nature of the conflicts and how any such conflicts are being addressed.

In January 2013, the SEC approved new listing standards of the New York Stock Exchange and The Nasdaq Stock Market consistent with the final SEC rules and which require the compensation committee to consider the independence of advisors, including compensation consultants, as described above. Effective July 1, 2013, listed companies' compensation committees are not permitted to select, or receive advice from, an adviser unless the compensation committee has conducted the independence assessment that the new listing standards require.

The final rules and the newly-adopted listing standards do not require that the selected compensation consultant be independent, only that the compensation committee considers independence before selecting a compensation consultant. However, if companies' compensation committees elect to engage compensation consultants that do not perform any other services for the company, then this could cause additional clients to terminate their relationships with Towers Watson (either with respect to compensation consulting services or with respect to other consulting services) to avoid perceived or potential conflicts of interest. If this happens, the future termination of such relationships could have a material adverse effect on our business, financial condition and results of operations.

In addition, due in part to such regulation and continued legislative activity, some former Towers Perrin, Watson Wyatt or Towers Watson consultants terminated their relationships with us, and many have begun to compete with us or have indicated that they intend to compete with us. Such talent migration, and any future such talent migration, could have a material adverse effect on our business, financial condition and results of operations.

Competition could result in loss of our market share and reduced profitability.

The markets for our principal services are highly competitive. Our competitors include other human capital and risk management consulting and actuarial firms, as well as the human capital and risk management divisions of diversified professional services, insurance, brokerage and accounting firms. Some of our competitors have greater financial, technical and marketing resources than us, which could enhance their ability to finance acquisitions, fund internal growth and respond more quickly to professional and technological changes. Some competitors have or may develop a lower cost structure, or have more tax-efficient operations. New competitors or alliances among competitors could emerge, creating additional competition and gaining significant market share, resulting in a loss of business for us and a corresponding decline in revenues and profit margin. In order to respond to increased competition and pricing pressure, we may have to lower our prices, which would also have an adverse effect on our revenues and profit margin.

Consolidation in the industries that we serve could materially adversely affect our business.

Companies in the industries that we serve may seek to achieve economies of scale and other synergies by combining with or acquiring other companies. If two or more of our clients merge or consolidate and combine their operations, we may experience a decrease in the amount of services we perform for these clients. If one of our clients merges or consolidates with a company that relies on another provider for its services, we may lose work from that client or lose the opportunity to gain additional work. The increased market power of larger companies could also increase pricing and competitive pressures on us. Any of these possible results of industry consolidation could materially adversely affect our revenues and profits.

Our growth strategy depends, in part, on our ability to make acquisitions, and if we have difficulty in acquiring, overpay for, or are unable to acquire other businesses, our business may be materially adversely affected.

Our growth depends in part on our ability to make acquisitions. We may not be successful in identifying appropriate acquisition candidates or consummating acquisitions on terms acceptable or favorable to us, on the proposed timetables, or at all. We also face additional risks related to acquisitions, including that we could overpay for acquired businesses and that any acquired business could significantly underperform relative to our expectations. If we are unable to identify and successfully make acquisitions, our business could be materially adversely affected.

We face risks when we acquire or divest businesses, and may have difficulty integrating or managing acquired businesses, or with effecting internal reorganizations, which may harm our business, financial condition, results of operations or reputation.

We may acquire other companies or divest certain businesses in the future. We cannot be certain that our acquisitions will be accretive to earnings or that our acquisitions or divestitures will otherwise meet our operational or strategic expectations. Acquisitions involve special risks, including the potential assumption of unanticipated liabilities and contingencies and difficulties in integrating acquired businesses, and acquired businesses may not achieve the levels of revenue, profit or productivity we anticipate or otherwise perform as we expect. In addition, if the operating performance of an acquired business

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deteriorates significantly, we may need to write down the value of the goodwill and other acquisition-related intangible assets recorded on our balance sheet.

We may be unable to effectively integrate an acquired business into our organization, and may not succeed in managing such acquired businesses or the larger company that results from such acquisitions. The process of integration of an acquired business may subject us to a number of risks, including:

- Diversion of management attention;
- Amortization of intangible assets, adversely affecting our reported results of operations;
- Inability to retain the management, key personnel and other employees of the acquired business;
- Inability to establish uniform standards, controls, systems, procedures and policies;
- Inability to retain the acquired company's clients;
- Exposure to legal claims for activities of the acquired business prior to acquisition; and
- Incurrence of additional expenses in connection with the integration process.

We may also face similar challenges in effecting internal reorganizations, such as the internal reorganization of our Exchange Solutions segment that began in 2014. If acquisitions or internal reorganizations are not successfully integrated, our business, financial condition and results of operations could be materially adversely affected, as well as our professional reputation.

We advise or act on behalf of clients regarding investments whose results are not guaranteed, and clients that experience investment return shortfalls may assert claims against us.

We provide advice on both asset allocation and selection of investment managers. For some clients, we are responsible for making decisions on both these matters, or we may serve in a fiduciary capacity. Asset classes may experience poor absolute performance, and investment managers may underperform their benchmarks; in both cases the investment return shortfall can be significant. Clients experiencing this underperformance may assert claims against us, and such claims may be for significant amounts. Defending against these claims can involve potentially significant costs, including legal defense costs. Our ability to limit our potential liability may be limited in certain jurisdictions or in connection with claims involving breaches of fiduciary duties or other alleged errors or omissions.

Our investment activities may require specialized operational competencies, and if we fail to properly execute our role in cash and investment management, our clients or third parties may assert claims against us.

For certain clients, we are responsible for some portions of cash and investment management, including rebalancing of investment portfolios and guidance to third parties on structure of derivatives and securities transactions. Our failure to properly execute our role can cause monetary damage to our clients or such third parties for which we might be found liable, and such claims may be for significant amounts. Defending against these claims can involve potentially significant costs, including legal defense costs. Our ability to limit our potential liability may be constrained in certain jurisdictions.

Towers Watson is engaged in providing services and products outside the core human capital and risk management businesses previously conducted by the Company, which may carry greater risk of liability and regulatory action.

We continue to grow the business of providing professional services and products to institutional investors, financial services companies and other clients. The risk of claims from these lines of business and related products and services may be greater than from our core human capital and risk management business, and such claims may be for significant amounts. For example, we may assist a pension plan to hedge its exposure to changes in interest rates. If the hedge does not perform as expected, we could be exposed to claims. Contractual provisions intended to mitigate risk may not be enforceable. Other examples of recently implemented ventures that may increase our exposure to client and regulator claims include pooled investment solutions in various jurisdictions in our Investment line of business; new licensed work and expansion into new jurisdictions in our Health and Group Benefits line of business; and in our Retirement line of business, establishing and servicing structures to facilitate the funding of our clients' employee benefit plans. In addition, with respect to some of these new ventures, we may enter into arrangements that need to be examined to determine whether they fall under the variable interest entity (VIE) accounting guidance. The structure of such arrangements could require us to consolidate assets or liabilities on which we do not have risk of loss.

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Our business faces rapid technological change, and our failure to respond to this change quickly could materially adversely affect our business.
To remain competitive in the business lines in which we engage, we have to identify and offer the most current technologies and methodologies. In some cases, significant technology choices and investments are required. If we do not respond correctly, quickly or in a cost-effective manner, our business and results of operations might be harmed. The effort to gain technological expertise and develop new technologies in our business may require us to incur significant expenses and, in some cases, to implement these new technologies globally, particularly with respect to the integration activities that are ongoing in connection with the Towers Perrin | Watson Wyatt Merger. If we cannot offer new technologies as quickly or effectively as our competitors, we could lose market share. We also could lose market share if our competitors develop more cost-effective technologies than we will offer or develop.
Limited protection of our intellectual property could harm our business, and we face the risk that our services or products may infringe upon the intellectual property rights of others.
We cannot guarantee that trade secret, trademark and copyright law protections are adequate to deter misappropriation of our intellectual property (including our software, which may become an increasingly important part of our business). Existing laws of some countries in which we provide services or products may offer only limited protection of our intellectual property rights. Redressing infringements may consume significant management time and financial resources. Also, we may be unable to detect the unauthorized use of our intellectual property and take the necessary steps to enforce our rights, which may have a material adverse impact on our business, financial condition or results of operations. We cannot be sure that our services and products, or the products of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and we may have infringement claims asserted against us or our clients. These claims may harm our reputation, result in financial liability and prevent us from offering some services or products.
Insurance may become more difficult or expensive to obtain.
The availability, terms and price of insurance are subject to many variables, including general insurance market conditions, loss experience in related industries and in the actuarial and benefits consulting industry, and the specific claims experience of an individual firm. We are subject to various regulatory requirements relating to insurance as well as client requirements. There can be no assurance that we will be able to obtain insurance at cost-effective rates or with reasonable retentions. Increases in the cost of insurance could affect our profitability and the unavailability of insurance to cover certain risks could have a material adverse effect on our financial condition or our ability to transact business in certain geographic areas, particularly in any specific period.
Towers Watson and its subsidiaries could encounter significant obstacles in securing adequate insurance coverage for errors and omissions liability risks on favorable or acceptable terms.
Towers Perrin and Watson Wyatt each historically obtained primary insurance for errors and omissions liability risks from a Vermont-regulated group captive insurance company known as Professional Consultants Insurance Company, Inc. (which we refer to as “PCIC”). The stockholders and insureds of PCIC were legacy Towers Perrin, legacy Watson Wyatt and Milliman, Inc. (“Milliman”). On January 1, 2010, the effective date of the Towers Perrin | Watson Wyatt Merger, Towers Watson became the owner of 72.8% of the stock of PCIC.
Towers Perrin and Watson Wyatt provided PCIC with notice of non-renewal of the respective PCIC policies of insurance that expired at 12:01 a.m. on July 1, 2010. PCIC provided a notice of non-renewal to Milliman and did not issue a policy of insurance to Milliman for the policy period starting July 1, 2010 or thereafter. PCIC continues to operate in Run-off in order to pay losses arising from claims reported by its insureds during the periods covered by previously issued policies of insurance.
Since July 1, 2010, we have obtained our primary insurance for errors and omissions liability risks from a Vermont-regulated wholly owned captive insurance company known as Stone Mountain Insurance Company (“Stone Mountain”). Stone Mountain has secured reinsurance for a portion of the Towers Watson risks it underwrites. Towers Watson has secured excess errors and omissions liability coverage above the coverage provided by Stone Mountain in amounts we consider to be prudent. Stone Mountain has issued a policy of insurance to us that is substantially similar in form to the policy of insurance issued by PCIC.

The combination of the formation of Stone Mountain, which results in Towers Watson and Stone Mountain bearing the first $25 million of loss per claim and in the aggregate above the $1 million per claim self-insured retention, and our controlling ownership interest in PCIC and the accompanying requirement that we consolidate PCIC's financial results into our financial results is likely to result in increased earnings volatility for us. In addition, the inability of Stone Mountain to secure reinsurance or our inability to secure excess errors and omissions professional liability coverage in the future could have a

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material adverse impact on our financial condition or our ability to transact business in certain geographic areas, particularly in any specific period.

We have material pension liabilities that can fluctuate significantly.

We have material pension liabilities. The projected benefit obligation for our pension and other postretirement benefit plans at June 30, 2015 was $4.4 billion, of which $1.5 billion represented unfunded and underfunded pension and postretirement liabilities. Movements in the interest rate environment, inflation or changes in other assumptions that are used for the estimates of our benefit obligations and other factors could have a material effect on the level of liabilities in these plans at any given time. These pension plans have minimum funding requirements that may require material amounts of periodic additional funding. Cash required to fund pension plans may have to be diverted from other corporate initiatives.

Our Exchange Solutions business may be harmed if we lose our relationships with insurance carriers, fail to maintain good relationships with insurance carriers, become dependent upon a limited number of insurance carriers or fail to develop new carrier relationships.

Our Exchange Solutions business typically enters into contractual agency relationships with insurance carriers that are non-exclusive and terminable on short notice by either party for any reason. In many cases, insurance carriers also have the ability to amend the terms of our agreements unilaterally on short notice. Insurance carriers may be unwilling to allow us to sell their existing or new health insurance plans or may amend our agreements with them, for a variety of reasons, including for competitive or regulatory reasons or because of a reluctance to distribute their products through our exchange platform. Insurance carriers may decide to rely on their own internal distribution channels, including traditional in-house agents, carrier websites or other sales channels, or to market their own plans, and, in turn, could limit or prohibit us from marketing their plans. For example, in August 2011, one of Exchange Solutions' largest insurance carrier partners discontinued the indirect distribution of Medicare supplement policies through all of their distribution vendors. As a result, our new Medicare supplement enrollments shifted to other insurance carriers that pay us lower commission rates on average. Insurance carriers may also choose to exclude us from their most profitable or popular plans or may determine not to distribute insurance plans in individual markets in certain geographies or altogether. Additionally, if one of the insurance carriers with which we are associated violates the law or comes under scrutiny by the Centers for Medicare & Medicaid Services ("CMS"), CMS may impose sanctions on such carriers, resulting in a loss of supply of insurance plans that we are able to sell. The termination or amendment of our relationship with an insurance carrier could reduce the variety of health insurance plans we offer. We also could lose a source of, or be paid reduced commissions for, future sales and could lose renewal commissions for past sales. Our business could also be harmed if we fail to develop new carrier relationships or are unable to offer customers a wide variety of health insurance plans.

The private health insurance industry in the United States has experienced a substantial amount of consolidation over the past several years, resulting in a decrease in the number of insurance carriers. In the future, it may become necessary for us to offer insurance plans from a reduced number of insurance carriers or to derive a greater portion of our revenue from a more concentrated number of carriers as our business and the health insurance industry evolve. For example, in fiscal year 2015, the top five carriers accounted for an aggregate of approximately 72% of our commission revenue in our Retiree & Access Exchanges business. Each of these insurance carriers may terminate our agreements with them, and, in some cases, as a result of the termination we may lose our right to receive future commissions for policies we have sold. Should our dependence on a smaller number of insurance carriers increase, whether as a result of the termination of carrier relationships, further insurance carrier consolidation or otherwise, we may become more vulnerable to adverse changes in our relationships with our carriers, particularly in states where we offer health insurance plans from a relatively small number of carriers or where a small number of insurance carriers dominate the market. The termination, amendment or consolidation of our relationship with our insurance carriers could harm our business, results of operations and financial condition.

Changes and developments in the health insurance system in the United States could harm our Exchange Solutions business.

In 2010, the Federal government enacted significant reforms to healthcare legislation through the Patient Protection and Affordable Care Act, ("PPACA"), and the Healthcare and Education Reconciliation Act of 2010, ("HCERA"), which we refer to collectively as ("Healthcare Reform"). Our Exchange Solutions business depends upon the private sector of the United States insurance system, its role in financing health care delivery, and insurance carriers' use of, and payment of commissions to, agents, brokers and other organizations to market and sell individual and family health insurance plans. Healthcare Reform contains provisions that have changed and will continue to change the industry in which we operate in substantial ways.

Many aspects of Healthcare Reform are not yet in effect or have only recently gone into effect. In addition, state governments have adopted, and will continue to adopt, changes to their existing laws and regulations in light of Healthcare Reform and related regulations. Future postponements of or changes to Healthcare Reform may not be beneficial to us.

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Certain key members of Congress have expressed a desire to withhold the funding necessary to implement Healthcare Reform as well as the desire to replace or amend all or a portion of Healthcare Reform. Any partial or complete repeal or amendment or implementation difficulties, or uncertainty regarding such events, could increase our costs of compliance, prevent or delay future adoption of our exchange platform, and adversely impact our results of operations and financial condition. The implementation of Healthcare Reform could have negative effects on us, including:

- Increase our competition;
- Reduce or eliminate the need for health insurance agents and brokers or demand for the health insurance that we sell;
- Decrease the number of types of health insurance plans that we sell, as well as the number of insurance carriers offering such plans;
- Cause insurance carriers to change the benefits and/or premiums for the plans they sell;
- Cause insurance carriers to reduce the amount they pay for our services or change our relationship with them in other ways; or
- Materially restrict our call center operations.

Any of these effects could materially harm our business, results of operations and financial condition. For example, the manner in which the Federal government and the states implement health insurance exchanges and the process for receiving subsidies and cost-sharing credits could substantially increase our competition and member turnover and substantially reduce the number of individuals who purchase insurance through us. Various aspects of Healthcare Reform could cause insurance carriers to limit the type of health insurance plans we are able to sell and the geographies in which we are able to sell them. In addition, the U.S. Congress has been charged with finding spending cuts, and such cuts are expected to include Medicare. If cuts are made to Medicare, there may be substantial changes in the types of health insurance plans we are able to sell. Changes in the law could also cause insurance carriers to exit the business of selling insurance plans in a particular jurisdiction, to eliminate certain categories of products or to attempt to move members into new plans for which we receive lower commissions. If insurance carriers decide to limit our ability to sell their plans or determine not to sell individual health insurance plans altogether, our business, results of operations and financial condition would be materially harmed.

Our Consumer-Directed Accounts business is dependent upon the availability of tax-advantaged consumer-directed benefits to employers and employees and any diminution in, elimination of, or change in the availability of these benefits would materially adversely affect our results of operations, financial condition, business and prospects.

Our Consumer-Directed Accounts business fundamentally depends on employer and employee demand for tax-advantaged Consumer-Directed Benefits, or CDBs. Any diminution in or elimination of the availability of CDBs for employees would materially adversely affect our results of operations, financial condition, business and prospects. In addition, incentives for employers to offer CDBs may also be reduced or eliminated by changes in laws that result in employers no longer realizing financial gain from the implementation of these benefits. If employers cease to offer CDB programs or reduce the number of programs they offer to their employees, the results of operations, financial condition, business and prospects of our Consumer-Directed Accounts business would also be materially adversely affected.

In addition, if the payroll tax savings employers currently realize from their employees’ utilization of CDBs become reduced or unavailable, employers may be less inclined to offer these programs to their employees. If the tax savings currently realized by employee participants by utilizing CDBs were reduced or unavailable, we expect employees would correspondingly reduce or eliminate their participation in such CDB plans. Any such reduction in employer or employee incentives would materially adversely affect the results of operations, financial condition, business and prospects of our Consumer-Directed Accounts business.

We may not be able to obtain financing on favorable terms or at all.

The maintenance and growth of our business depends on our access to capital, which will depend in large part on cash flow generated by our business and the availability of equity and debt financing. There can be no assurance that our operations will generate sufficient positive cash flow to finance all of our capital needs or that we will be able to obtain equity or debt financing on favorable terms or at all.

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Our revolving credit facility and term loan contain a number of restrictive covenants that restrict our operations.
The Towers Watson $500 million revolving credit facility ("Revolving Credit Facility") and $250 million term loan ("Term Loan") contain a number of customary restrictive covenants imposing operating and financial restrictions on Towers Watson, including restrictions that limit our ability to engage in acts that may be in our long-term best interests. These covenants include, among others, limitations (and in some cases, prohibitions) that, directly or indirectly, restrict our ability to:

- Incur liens or additional indebtedness (including guarantees or contingent obligations);
- Engage in mergers and other fundamental changes;
- Sell or otherwise dispose of property or assets;
- Pay dividends and other distributions; and
- Change the nature of our business.

The credit agreements also contain financial covenants that limit our interest expense and total debt relative to EBITDA.
The operating restrictions and financial covenants in our credit agreements do, and any future financing agreements may, limit our ability to finance future operations or capital needs or to engage in other business activities. Our ability to comply with any financial covenants could be materially affected by events beyond our control, and there can be no assurance that we will satisfy any such requirements. If we fail to comply with these covenants, we may need to seek waivers or amendments of such covenants, seek alternative or additional sources of financing or reduce our expenditures. We may be unable to obtain such waivers, amendments or alternative or additional financing at all, or on terms favorable to us.
The credit agreements specify several events of default, including non-payment, certain cross-defaults, certain bankruptcy events, covenant or representation breaches and certain changes in control. If an event of default occurs, the lenders under the credit agreements are expected to be able to elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable. We may not be able to repay all amounts due under the credit agreements in the event these amounts are declared due upon an event of default.
We rely on third parties to provide services and their failure to perform the services could harm our business.
As part of providing services to clients and managing our business, we rely on a number of third-party service providers. Our ability to perform effectively depends in part on the ability of these service providers to meet their obligations, as well as on our effective oversight of their performance. The quality of our services could suffer or we could be required to incur unanticipated costs if our third-party service providers do not perform as expected or their services are disrupted. This could have a material adverse effect on our business and results of operations.
We are a holding company and, therefore, may not be able to receive dividends or other distributions in needed amounts from our subsidiaries.
The Company is organized as a holding company, a legal entity separate and distinct from our operating subsidiaries. As a holding company without significant operations of our own, we are dependent upon dividends and other payments from our operating subsidiaries to meet our obligations for paying principal and interest on outstanding debt obligations, for paying dividends to stockholders and for corporate expenses. In the event our operating subsidiaries are unable to pay dividends and other payments to the Company, we may not be able to service debt, pay obligations or pay dividends on common stock.
Further, the Company derives a significant portion of its revenue and operating profit from operating subsidiaries located outside the U.S. Since the majority of financing obligations as well as dividends to stockholders are made from the U.S., it is important to be able to access cash generated outside the U.S. Funds from the Company’s operating subsidiaries outside of the U.S. are periodically repatriated to the U.S. via shareholder distributions and repayment of intercompany financing. A number of factors may arise that could limit our ability to repatriate funds or make repatriation cost prohibitive, including, but not limited to, foreign exchange rates and tax-related costs.
In the event we are unable to generate cash from our operating subsidiaries for any of the reasons discussed above, our overall liquidity could deteriorate.
Changes in our accounting estimates and assumptions could negatively affect our financial position and results of operations.

We prepare our financial statements in accordance with U.S. GAAP. These accounting principles require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of our financial statements. We are also required to make certain judgments that affect the reported amounts of revenues and expenses during each reporting period. We periodically evaluate our estimates and assumptions including those relating to revenue recognition, valuation of billed and unbilled receivables from clients, discretionary compensation, incurred but not reported liabilities, restructuring, pensions, goodwill and other intangible assets, contingencies, share-based payments and income taxes. We base our estimates on historical experience and various assumptions that we believe to be reasonable based on specific circumstances. Actual results could differ from these estimates, and changes in accounting standards could have an adverse impact on our future financial position and results of operations.

Our accounting for our long-term outsourcing contracts requires using estimates and projections that may change over time. These changes may have a significant or adverse effect on our reported results of operations or financial condition.

Projecting contract profitability on our long-term outsourcing contracts requires us to make assumptions and estimates of future contract results. All estimates are inherently uncertain and subject to change. In an effort to maintain appropriate estimates, we review each of our long-term outsourcing contracts, the related contract reserves and intangible assets on a regular basis. If we determine that we need to change our estimates for a contract, we will change the estimates in the period in which the determination is made. These assumptions and estimates involve the exercise of judgment and discretion, which may also evolve over time in light of operational experience, regulatory direction, developments in accounting principles and other factors. Further, changes in assumptions, estimates or developments in the business or the application of accounting principles related to long-term outsourcing contracts may change our initial estimates of future contract results. Application of, and changes in, assumptions, estimates and policies may adversely affect our financial results.

Risks Relating to our Common Stock

The stock price of Class A common stock may be volatile.

The stock price of the Class A common stock may in the future be volatile and subject to wide fluctuations. In addition, the trading volume of the Class A common stock may in the future fluctuate and cause significant price variations to occur. Some of the factors that could cause fluctuations in the stock price or trading volume of the Class A common stock include:

- General market and economic conditions, including market conditions in the human capital and risk and financial management consulting industries and regulatory developments in the United States, foreign countries or both;
- Actual or expected variations in our quarterly results of operations and in the quarterly results of operations of companies perceived to be similar to us;
- Differences between actual results of operations and those expected by investors and analysts;
- Changes in recommendations by securities analysts;
- Operations and stock performance of competitors;
- Accounting charges, including charges relating to the impairment of goodwill or other intangible assets;
- Significant acquisitions, dispositions or strategic alliances by us or by competitors;
- Sales of the Class A common stock, including sales by our directors and officers or significant investors;
- Incurrence of additional debt;
- Dilutive issuance of equity;
- Recruitment or departure of key personnel;
- Loss or gain of key clients;
- Litigation involving us, our general industry or both; and
- Changes in reserves for professional liability claims.

There can be no assurance that the stock price of the Class A common stock will not fluctuate or decline significantly in the future. In addition, the stock market in general can experience considerable price and volume fluctuations that may be unrelated to our performance.

We will only pay dividends if and when declared by our board of directors.

Any determination to pay dividends in the future is at the discretion of our board of directors and will depend upon our results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law, rule or regulation, business and investment strategy, and other factors that our board of directors deems relevant. If we do not pay dividends, then the return on an investment in our common stock will depend entirely upon any future appreciation in its stock price. There is no guarantee that our common stock will appreciate in value or maintain its value.

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We have various mechanisms in place that could prevent a change in control that a stockholder might favor.
Our certificate of incorporation and bylaws contain provisions that might discourage, delay or prevent a change in control that a stockholder might favor. Our certificate of incorporation or bylaws:

- Authorize the issuance of preferred stock without fixed characteristics, which could be issued by our board of directors pursuant to a stockholder rights plan and deter a takeover attempt;
- Provide that only the Chief Executive Officer, President or our board of directors may call a special meeting of stockholders;
- Limit business at special stockholder meetings to such business as is brought before the meeting by or at the direction of our board of directors;
- Prohibit stockholder action by written consent, and require all stockholder actions to be taken at an annual or special meeting of the stockholders;
- Provide our board of directors with exclusive power to change the number of directors;
- Provide that all vacancies on our board of directors, including new directorships, may only be filled by a resolution adopted by a majority of the directors then in office;
- Do not opt out of Section 203 of the Delaware General Corporation Law, which prohibits business combinations between a corporation and any interested stockholder for a period of three years following the time that such stockholder became an interested stockholder;
- Require a supermajority vote for the stockholders to amend the bylaws; and
- Prohibit any stockholder from presenting a proposal or director nomination at an annual stockholders' meeting unless such stockholder provides us with sufficient advance notice.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

As of June 30, 2015, we operated offices in 113 markets and 37 countries throughout the Americas, Asia-Pacific, Europe, South Africa and the Middle East. Operations of each of our segments are carried out in leased offices under operating leases that typically do not exceed 10 years in length. We do not anticipate difficulty in meeting our space needs at lease expiration.
The fixed assets owned by us represented approximately 7% of total assets as of June 30, 2015, and consisted primarily of computer equipment and software, office furniture and leasehold improvements.

Item 3. Legal Proceedings.

From time to time, we are a party to various lawsuits, arbitrations or mediations that arise in the ordinary course of business. The disclosure called for by Item 3 regarding our legal proceedings is incorporated by reference herein from Note 12, "Debt, Commitments and Contingent Liabilities", of the notes to the consolidated financial statements in this Annual Report.

Item 4. Mine Safety Disclosures.

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Towers Watson & Co. Class A common stock is currently traded on the NASDAQ under the symbol TW. The following table sets forth the high and low sales prices per share of our Class A common stock for the periods indicated.

	High	Low
Fiscal Year 2014		
First quarter (July 1, 2013 - September 30, 2013)	$108.16	$80.99
Second quarter (October 1, 2013 - December 31, 2013)	$127.61	$107.09
Third quarter (January 1, 2014 - March 31, 2014)	$129.61	$105.01

Fourth quarter (April 1, 2014 - June 30, 2014)	$117.76	$102.30
Fiscal Year 2015		
First quarter (July 1, 2014 - September 30, 2014)	$110.39	$99.50
Second quarter (October 1, 2014 - December 31, 2014)	$116.92	$99.35
Third quarter (January 1, 2015 - March 31, 2015)	$134.62	$111.02
Fourth quarter (April 1, 2015 - June 30, 2015)	$141.26	$125.80

On July 31, 2015, the closing price of the Company's common stock on the NASDAQ was $126.78.

Holders

As of July 31, 2015, there were 319 registered stockholders of our Class A common stock.

Dividends

Fiscal Year 2015 Dividends — During May 2015, our board of directors approved the payment of a quarterly cash dividend in the amount of $0.15 per share, which was paid in July 2015. Additional quarterly cash dividends were declared in the amount of $0.15 per share in August 2014, November 2014 and February 2015, which were paid in October 2014, January 2015 and April 2015, respectively.

Fiscal Year 2014 Dividends — During May 2014, our board of directors approved the payment of a quarterly cash dividend in the amount of $0.14 per share, which was paid in July 2014. Additional quarterly cash dividends were declared in the amount of $0.14 per share in November 2013 and February 2014, which were paid in January 2014 and April 2014, respectively.

Fiscal Year 2013 Dividends — During November 2012, our board of directors approved the payment of a quarterly cash dividend in the amount of $0.115 per share, which was paid in December 2012. Additionally, the board of directors declared an acceleration for calendar year 2013 of dividends otherwise payable in April 2013, July 2013 and October 2013. The $0.345 per share accelerated dividend was paid in December 2012. Since all dividends that would have been otherwise payable in calendar year 2013 were paid in December 2012, there were no dividend payments for the six months ended June 30, 2013.

Total dividends paid in fiscal years 2015, 2014 and 2013 were $41.8 million and $21.1 million, and $48.2 million, respectively. The amount in fiscal years 2014, and 2013 includes $1.6 million, $1.3 million, respectively, of dividends paid by our consolidated, majority-owned subsidiary, Fifth Quadrant, to its third-party shareholders.

The continued payment of cash dividends in the future is at the discretion of our board of directors and depends on numerous factors, including, without limitation, our net earnings, financial condition, availability of capital, debt covenant limitations and our other business needs, including those of our subsidiaries and affiliates. Additionally, our Revolving Credit Facility and Term Loan require us to observe certain covenants, including requirements for minimum net worth, which potentially act to restrict dividends.

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Performance Graph

The graph below depicts total cumulative stockholder return on $100.00 invested on June 30, 2010, in (i) Towers Watson & Co. common stock, (ii) the New York Stock Exchange Composite Index, (iii) the NASDAQ Global Market Composite Index; and (iv) a peer group index comprised of the common stock of Aon plc and Marsh & McLennan Companies, Inc. and certain publicly traded companies within the management consulting services standard industrial classification code having a reported market capitalization exceeding $150 million. The graph assumes reinvestment of dividends.

*$100 invested on 6/30/10 in stock or 6/30/10 in index, including reinvestment of dividends. Fiscal year ending June 30.

	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15
Towers Watson & Co.	$100.00	$170.07	$156.06	$215.69	$275.38	$334.04
NYSE Composite	$100.00	$131.51	$126.62	$152.63	$187.35	$188.84
NASDAQ Global Market Composite	$100.00	$123.66	$106.93	$120.76	$161.82	$184.98
Peer Group	$100.00	$148.01	$148.99	$190.44	$238.35	$280.31

Companies included in the peer group index include: Accenture plc; Aon plc; CEB Inc.; FTI Consulting, Inc.; Huron Consulting Group Inc.; Marsh & McLennan Companies, Inc.; Maximus, Inc.; and Navigant Consulting, Inc.

Issuer Purchases of Equity Securities

The Towers Watson Board has authorized the Company to periodically repurchase shares of common stock under distinct sets of authority. Prior to August 22, 2014, there were two such sets.

The purpose of the first authority was to offset the dilutive effect of issuance of shares under the Company’s equity-based compensation plans (“Dilution”) and was approved for the repurchase of up to 1,750,000 shares of our Class A Common Stock to offset Dilution. The purpose of the second authority was to purchase up to $150 million of the Company’s Class A Common Stock outside of the anti-dilutive authorization.

On August 22, 2014, the Board of Directors replaced the first and second stock repurchase authorities with a combined repurchase authorization. Under this new authority, the Company is authorized to repurchase up to $300 million of the

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Company's Class A Common Stock to cover all stock repurchase objectives. There is no expiration date for the new repurchase authority. As of June 30, 2015, $154.0 million remained available for the repurchase of shares under the $300 million authority. For fiscal year 2015, $168.2 million of shares were repurchased — $22.2 million prior to the approval of the new combined repurchase authorization effective August 22, 2014 and $146.0 million under the $300 million combined authority.

The table below presents specified information about the Company's Class A Common Stock repurchases in the fourth quarter of fiscal year 2015 and the Company's repurchase plan.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (b)
April 1, 2015 through April 30, 2015	137,330	$131.43	137,330	1,347,588
May 1, 2015 through May 31, 2015	123,522	$132.21	123,522	1,224,066
June 1, 2015 through June 30, 2015	—	$0.00	—	1,224,066
	260,852	$131.80	260,852	1,224,066

(a) The Company's $300 million repurchase plan was approved and announced on August 22, 2014, and has no expiration date.

(b) The maximum number of shares that may yet be purchased under the stock repurchase plan is 1,224,066. An estimate of the maximum number of shares under the repurchase of up to $300 million was determined using the closing price of our stock on June 30, 2015, the last trading day of our fiscal year, of $125.80.

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Item 6. Selected Consolidated Financial Data

The following table sets forth selected consolidated financial data of Towers Watson for each of the years in the five-year period ended June 30, 2015. The selected consolidated financial data as of and for each of the years in the five year period ended June 30, 2015 were derived from our audited consolidated financial statements of Towers Watson. Prior period amounts have been restated to reflect discontinued operations in all periods presented. The consolidated financial data should be read in conjunction with our consolidated financial statements and notes thereto.

	Year Ended June 30,				
Statement of Operations Data:	2015	2014	2013	2012	2011
(in thousands, except per share data)					
Revenue	$3,644,953	$3,481,912	$3,432,515	$3,257,898	$3,108,706
Costs of providing services:					
Salaries and employee benefits	2,159,057	2,106,431	2,085,188	1,978,653	1,951,854
Professional and subcontracted services	268,277	249,775	267,715	283,783	245,076
Occupancy	137,841	137,883	139,942	136,557	139,211
General and administrative expenses	311,906	317,448	303,472	259,064	256,581
Depreciation and amortization	172,287	174,818	173,040	150,006	127,602
Transaction and integration expenses	6,984	1,049	30,753	86,130	100,535
	3,056,352	2,987,404	3,000,110	2,894,193	2,820,859
Income from operations	588,601	494,508	432,405	363,705	287,847
Income / (loss) from affiliates	33	—	(56)	262	1,081
Interest income	3,943	2,803	2,400	3,860	5,523
Interest expense	(9,075)	(9,031)	(12,676)	(9,156)	(12,475)
Other non-operating income	2,191	10,226	6,928	11,350	19,349
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	585,693	498,506	429,001	370,021	301,325
Provision for income taxes	200,062	138,249	136,991	132,443	121,480
INCOME FROM CONTINUING OPERATIONS	385,631	360,257	292,010	237,578	179,845
Income from discontinued operations, net of income tax of $0, $39,202, $15,561, $13,313, and $8,436, respectively	—	6,057	23,642	22,898	16,880
NET INCOME BEFORE NON-CONTROLLING INTERESTS	385,631	366,314	315,652	260,476	196,725
Income / (loss) attributable to non-controlling interests	653	7,014	(3,160)	263	2,288
NET INCOME (attributable to common stockholders)	$384,978	$359,300	$318,812	$260,213	$194,437
Basic earnings per share (attributable to common stockholders):					
Net income from continuing operations	$5.52	$5.00	$4.15	$3.28	$2.39
Net income from discontinued operations	—	0.09	0.33	0.32	0.23
Net income - basic	$5.52	$5.09	$4.48	$3.60	$2.62
Diluted earnings per share (attributable to common stockholders):					
Net income from continuing operations	$5.50	$4.98	$4.13	$3.27	$2.39
Net income from discontinued operations	—	0.08	0.33	0.32	0.23
Net income - diluted	$5.50	$5.06	$4.46	$3.59	$2.62
Dividends declared per share	$0.60	$0.42	$0.46	$0.40	$0.30

Weighted average shares of common stock (000):					
Basic	69,766	70,587	71,150	72,221	74,075
Diluted	70,007	70,955	71,555	72,542	74,139

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	As of June 30,				
Balance Sheet and Other Data:	2015	2014	2013	2012	2011
(in thousands)					
Cash and cash equivalents	$715,151	$727,849	$532,805	$478,179	$528,923
Fiduciary assets	$38,075	$12,010	$148,414	$171,406	$153,154
Working capital	$705,358	$773,899	$599,348	$656,415	$472,357
Goodwill and intangible assets	$2,932,438	$2,970,351	$2,906,693	$3,021,403	$2,638,496
Total assets	$5,394,174	$5,627,786	$5,332,077	$5,356,978	$5,098,950
Revolving credit facility, term loan and notes	$240,000	$225,000	$250,000	$458,000	$99,341
Dividends declared	$41,801	$30,780	$42,027	$25,752	$22,846
Stockholders' equity	$2,932,011	$3,096,908	$2,724,494	$2,432,520	$2,591,527
Shares outstanding	69,282	70,339	70,716	71,702	73,601

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Executive Overview

Business Overview

We are a leading global professional services firm operating from 113 markets in 37 countries throughout the Americas, Europe, Asia-Pacific, South Africa and the Middle East. We help organizations improve performance through effective people, risk and financial management by focusing on providing human capital and financial consulting services.

We bring together professionals from around the world — experts in their areas of specialty — to deliver the perspectives that give organizations a clear path forward. We do this by offering consulting, technology and solutions and private exchanges in four principal areas: Benefits; Exchange Solutions; Risk and Financial Services; and Talent and Rewards.

We help our clients enhance business performance by improving their ability to attract, retain and motivate qualified employees. We focus on delivering consulting services that help organizations anticipate, identify and capitalize on emerging opportunities in human capital management. We also provide independent financial advice regarding all aspects of life insurance and general insurance, as well as investment advice to help our clients develop disciplined and efficient strategies to meet their investment goals. We operate the largest private Medicare exchange in the United States. Through this exchange, we help our clients move to a more sustainable economic model by capping and controlling the costs associated with retiree healthcare benefits.

Our target market is generally large, multi-national and domestic companies, with particular focus on the insurance industry for our risk consulting business. Our clients include many of the world's leading corporations, including approximately 92% of the Fortune Global 500 companies and 84% of the Fortune 1000. We also advise more than three-quarters of the world's leading insurance companies. We work with major corporations, emerging growth companies, governmental agencies and not-for-profit institutions in a wide variety of industries.

Economic and Competitive Factors

As leading economies worldwide become more service-oriented and interconnected, effective human resource management and financial management are increasingly sources of competitive advantage for organizations. Employers, regardless of geography or industry, are facing unprecedented challenges involving the management of their people. Changing technology, expectations for innovation and quality enhancements, changing risks, skill shortages in selected areas, and an aging population in many developed countries have increased employers' focus on attracting and retaining talented employees. Further, employers are focused on improving productivity and effectively managing the size and volatility of their labor costs. The growing demand for employee benefit and human capital management services is directly related to the size and complexity of human resource programs and the changes associated with their design, financial management and administration, including health care reform in the U.S. Additionally, as organizations focus on improving business performance, they want to combine risk management and operational improvements within their overall financial management framework. It is crucial for employers, including insurance carriers, to link risk, capital and value in order to manage value creation and balance risk and return. These are among the primary business issues that lead employers to seek Towers Watson's advice and solutions.

The human capital and risk management consulting industries are highly competitive. We believe there are significant barriers to entry, and we have developed competitive advantages in providing HR consulting services. However, we face strong competition from several sources.

The market for our services is subject to change as a result of economic, regulatory and legislative changes, technological developments, and increased competition from established and new competitors. Regulatory and legislative actions, along with continuously evolving technological developments, will likely have the greatest impact on the overall market for our exchange products. We believe the primary factors in selecting a human resources or risk management consulting firm include reputation, the ability to provide measurable increases to stockholder value and return on investment, global scale, quality of service and the ability to tailor services to clients' unique needs. With regard to the market for exchanges, we believe that clients base their decisions on a variety of factors that include the ability of the provider to deliver measurable cost savings for clients, a strong reputation for efficient execution, a provider's capability in delivering a broad number of configurations to serve various population segments and financing options, and an innovative service delivery model and platform. For our traditional consulting and risk management services and the rapidly evolving exchange products, we believe we compete favorably with respect to these factors.

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Towers Watson | Willis Merger
As disclosed in the Company's Current Report on Form 8-K filed on June 30, 2015 (the "Merger 8-K"), Willis Group Holdings ("Willis") and Towers Watson announced the signing of a definitive merger agreement under which the companies will combine in an all-stock merger of equals transaction. Based on the closing price of Willis and Towers Watson common stock on June 29, 2015, the implied equity value of the transaction is approximately $18 billion. At the effective time of the merger ("Towers Watson | Willis Merger"), each share of Class A common stock, par value $0.01 per share, of Towers Watson (the "TW Common Stock") issued and outstanding immediately prior to the Towers Watson | Willis Merger (other than shares held by Towers Watson, Willis, or Merger Sub and dissenting shares) will be converted into the right to receive 2.6490 validly issued, fully paid and nonassessable ordinary shares of Willis. In addition, Towers Watson intends to declare and pay a pre-Towers Watson | Willis Merger special dividend in an amount equal to $4.87 per share of TW Common Stock, payable to holders of record of TW Common Stock prior to the closing date. We are in the process of evaluating our options to fund the special dividend through a bank loan.
The transaction was unanimously approved by the Board of Directors of each company. The combined company will be named Willis Towers Watson. Upon completion of the Towers Watson | Willis Merger, Willis shareholders are expected to own approximately 50.1% and Towers Watson stockholders are expected to own approximately 49.9% of the combined company, each on a fully diluted basis. The transaction is expected to close by December 31, 2015, subject to customary closing conditions, including regulatory approvals, and approval by both Willis shareholders and Towers Watson stockholders.
See the Merger 8-K for a more detailed discussion of the terms and expected benefits of the Towers Watson | Willis Merger. Also, see "Risks Factors" in this Form 10-K report for risks relating to the Towers Watson | Willis Merger.
Financial Statement Overview
Towers Watson's fiscal year ends June 30.
The table below sets forth significant portions of our consolidated statements of operations and data as a percentage of revenue for the periods indicated.

	Fiscal Year Ended June 30,					
(in thousands, except per share data)	2015		2014		2013	
Revenue	$3,644,953	100 %	$3,481,912	100 %	$3,432,515	100 %
Operating expenses	3,056,352	84 %	2,987,404	86 %	3,000,110	87 %
Income from operations	588,601	16 %	494,508	14 %	432,405	13 %
Non-operating (loss) / income	(2,908)	— %	3,998	— %	(3,404)	— %
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	585,693	16 %	498,506	14 %	429,001	12 %
Provision for income taxes	200,062	5 %	138,249	4 %	136,991	4 %
INCOME FROM CONTINUING OPERATIONS	385,631	11 %	360,257	10 %	292,010	9 %
Income from discontinued operations, net of income tax of $0, $39,202, $15,561, respectively	—	— %	6,057	— %	23,642	1 %
NET INCOME BEFORE NON-CONTROLLING INTERESTS	385,631	11 %	366,314	11 %	315,652	9 %
Income / (loss) attributable to non-controlling interests	653	— %	7,014	— %	(3,160)	— %
NET INCOME (attributable to common stockholders)	$384,978	11 %	$359,300	10 %	$318,812	9 %
Diluted earnings per share (attributable to common stockholders)	$5.50		$5.06		$4.46	

Revenue
We derive the majority of our revenue from fees for consulting services. Clients are typically invoiced on a monthly basis with revenue generally recognized as services are performed. No single client represented a significant

concentration of our consolidated revenues for any of our three most recent fiscal years.
Shown below are Towers Watson's top five geographies based on percentage of consolidated revenue. For the fiscal years ended June 30, 2014 and 2013, the information provided excludes the Brokerage business.

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Geographic Region	Fiscal Year 2015		2014		2013	
United States	56	%	53	%	53	%
United Kingdom	19	%	20	%	22	%
Canada	5	%	6	%	6	%
Germany	4	%	5	%	4	%
Netherlands	2	%	2	%	2	%

Revenue for the fiscal year ended June 30, 2015 was $3.6 billion, an increase of $163.0 million, or 5%, compared to $3.5 billion for the fiscal year ended June 30, 2014. On an organic basis, which excludes the effects of acquisitions and currency, revenue increased 8% for the fiscal year ended June 30, 2015 compared to the fiscal year ended June 30, 2014. This growth in revenue was driven by our Benefits, Exchange Solutions and Talent and Rewards segments, offset by our Risk and Financial Services segment. The Benefits segment contributed in the areas of bulk lump sum projects, healthcare consulting and pension administration. Our Exchange Solutions segment revenue growth was due to increased enrollments and increased health and welfare administration work. The Risk and Financial Services segment experienced growth in recurring software sales, which was more than offset by lower consulting demand. Our Talent and Rewards segment revenue growth was due to consulting work in support of M&A activity, seasonal benefit enrollment work, employee engagement surveys and HR technology projects.

Revenue for the fiscal year ended June 30, 2014 was $3.5 billion, an increase of $49.4 million, or 1%, compared to $3.4 billion for the fiscal year ended June 30, 2013. On an organic basis, which excludes the effects of acquisitions and currency, revenue increased 1% for the fiscal year ended June 30, 2014 compared to the fiscal year ended June 30, 2013. Our Exchange Solutions segment contributed 8% to our total revenue in fiscal year 2014. During fiscal year 2014 we continued to assist companies with de-risking activities related to bulk-lump sum projects. We further enhanced our client development group outside the U.S. to better align our organization with our multi-national and global clients, and expanded our global footprint into rapidly developing markets such as South Africa, India and Russia.

Our results from operations can be materially impacted by changes in currency conversions, which can fluctuate significantly over the course of a fiscal year. For the fiscal years ended June 30, 2015 and 2014, currency translation decreased our consolidated revenue by $104.1 million and $27.8 million, respectively. The primary currencies driving the change were the British Pound, the Euro and the Canadian Dollar.

The components of the change in revenue generated for fiscal years indicated are as follows:

			Components of Revenue Change									
(in thousands)	Revenue		As Reported Change		Currency Impact		Constant Currency Change		Acquisitions/Divestitures		Organic Change	
June 30, 2015 and June 30, 2014, respectively	$3,644,953	$3,481,912	5	%	(3	)%	8	%	—	%	8	%
June 30, 2014 and June 30, 2013, respectively	$3,481,912	$3,432,515	1	%	—	%	1	%	—	%	1	%

Definitions of Constant Currency Change and Organic Change are included in the section entitled Non-U.S. GAAP Measures in this Form 10-K.

Adjusted EBITDA

Adjusted EBITDA for the year ended June 30, 2015 was $767.2 million, compared to $669.7 million for the fiscal year ended June 30, 2014 and $648.3 million for the fiscal year ended June 30, 2013. A reconciliation of Net income (attributable to common stockholders) to Adjusted EBITDA is included in the section entitled Non-U.S. GAAP Measures in this Form 10-K.

The increase in Adjusted EBITDA for the fiscal year ended June 30, 2015 was primarily driven by growth in revenues. This growth was offset by increases in operating expenses, primarily in the areas of salaries and employee benefits and professional and subcontracted services. See Additional Consolidated Financial Information for additional details.

The increase in Adjusted EBITDA for the fiscal year ended June 30, 2014 was primarily driven by growth in revenues.

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Net Income (attributable to common stockholders)

Net income attributable to common stockholders for the fiscal year ended June 30, 2015 was $385.0 million, an increase of $25.7 million, or 7%, compared to $359.3 million for the fiscal year ended June 30, 2014. As a percentage of revenue, net income attributable to controlling interests was 11% for fiscal year 2015, compared to 10% for fiscal year 2014.

The increase in net income for the fiscal year ended June 30, 2015 was primarily driven by growth in revenues. This growth was offset by increases in operating expenses, primarily in the areas of salaries and employee benefits, professional and subcontracted services and an increase in the tax provision due to prior year income tax benefits from the release of uncertain tax positions related to lapses in statute of limitations and effective settlement of tax positions in various jurisdictions, primarily the U.S.

Net income attributable to common stockholders for the fiscal year ended June 30, 2014 was $359.3 million, an increase of $40.5 million, or 13%, compared to $318.8 million for the fiscal year ended June 30, 2013. As a percentage of revenue, net income attributable to controlling interests was 10% for fiscal year 2014, compared to 9% for fiscal year 2013.

The increase in net income for the fiscal year ended June 30, 2014 was primarily driven by growth in revenues and a net decrease in operating expenses. The net decrease in operating expenses was driven by a decrease in transaction and integration expenses and professional and subcontracted services, partially offset by increases in salaries and employee benefits and general and administrative expenses. See Additional Consolidated Financial Information for additional details.

Net income can be materially impacted by changes in currency conversions, which can fluctuate significantly over the course of a fiscal year. For the fiscal years ended June 30, 2015 and 2014, currency translation decreased our consolidated net income by $9.7 million and $2.6 million, respectively. The primary currencies driving the change were the British Pound, the Euro and the Canadian Dollar.

The components of the change in Net income (attributable to common stockholders) generated for fiscal years indicated are as follows:

(in thousands)	Net Income (attributable to common stockholders)		As Reported Change	Components of Net Income Change: Currency Impact	Constant Currency Change	Acquisitions/Divestitures	Organic Change
June 30, 2015 and June 30, 2014, respectively	$384,978	$359,300	7 %	(3)%	10 %	— %	10 %
June 30, 2014 and June 30, 2013, respectively	359,300	318,812	13 %	— %	13 %	— %	13 %

Diluted Earnings Per Share (attributable to common stockholders)

Diluted earnings per share for fiscal year 2015 was $5.50, compared to $5.06 for fiscal year 2014.

The increase in diluted earnings per share for the fiscal year ended June 30, 2015 was primarily driven by growth in revenues. This growth was offset by increases in operating expenses, primarily in the areas of salaries and employee benefits, professional and subcontracted services and an increase in the tax provision due to prior year income tax benefits from the release of uncertain tax positions related to lapses in statute of limitations and effective settlement of tax positions in various jurisdictions, primarily in the U.S.

Diluted earnings per share for fiscal year 2014 was $5.06, compared to $4.46 for fiscal year 2013.

The increase in diluted earnings per share for the fiscal year ended June 30, 2014 was primarily driven by growth in revenues and a net decrease in operating expenses. The net decrease in operating expenses was driven by a decrease in transaction and integration expenses and professional and subcontracted services, partially offset by increases in salaries and employee benefits and general and administrative expenses. See Additional Consolidated Financial Information for additional details.

Segment Analysis

We provide services in four business segments: Benefits, Exchange Solutions, Risk and Financial Services, and Talent and Rewards. For a full description of the segments, please see Item 1.

Management evaluates the performance of its segments and allocates resources and certain expenses to them based on net operating income on a pre-bonus, pre-tax basis. Revenue excludes amounts that were directly incurred on behalf of our clients and reimbursed by them (reimbursed expenses); however, these amounts are included in consolidated revenue.

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Benefits Segment. The Benefits segment is our largest and most established segment. This segment has grown through business combinations as well as strong organic growth. It helps clients create and manage cost-effective benefits programs that help them attract, retain and motivate a talented workforce.

The Benefits segment provides benefits consulting and administration services through four lines of business:

- Retirement — This business provides actuarial and consulting services for large defined benefit and defined contribution plans, including consulting on plan design, funding and risk management strategies. The Retirement business also helps clients assess the costs and risks of retirement plans on cash flow, earnings and the balance sheet, the effects of changing workforce demographics on their retirement plans, and retiree benefit adequacy and security.
- Health and Group Benefits — The Health and Group Benefits business provides plan management consulting across the full spectrum of health and group benefit programs, including health, dental, disability, life and other coverage.
- Technology and Administration Solutions — This business provides pension outsourcing services to hundreds of clients across multiple industries.
- International Consulting — To help multinational companies address the challenges of operating in the global marketplace, the International Consulting business provides expertise in dealing with international human capital management, as well as related benefits and compensation advice for corporate headquarters and their overseas subsidiaries.

A significant portion of the revenue in this segment is from recurring work, driven in large part by the heavily regulated nature of employee benefits plans and our clients' annual needs for these services. For the fiscal year ended June 30, 2015, the Benefits segment contributed 54% of our segment revenue. For the same period, approximately 42% of the Benefits segment's revenue originates from outside the United States and is thus subject to currency translation exposure resulting from foreign exchange rate fluctuations.

Revenue generated from each line of business within the Benefits segment for the fiscal years ended June 30, 2015 and June 30, 2014 are as follows:

	Fiscal Year Ended June 30,			Components of Change			
(in thousands)	2015	2014	As Reported Change	Currency Impact	Constant Currency Change	Acquisitions/Divestitures	Organic Change
Revenue by line of business:							
Retirement	$1,335,186	$1,327,019	1 %	(3)%	4 %	— %	4 %
Health and Group Benefits	322,623	300,040	8 %	(1)%	9 %	— %	9 %
Technology and Administration Solutions	186,395	175,322	6 %	(5)%	11 %	— %	11 %
International Consulting	78,176	70,908	10 %	(3)%	13 %	— %	13 %
Total revenue (net of reimbursable expenses)	$1,922,380	$1,873,289	3 %	(3)%	6 %	— %	6 %

Benefits revenue increased $49.1 million, or 3%, and was $1.92 billion for fiscal year 2015 compared to $1.87 billion for fiscal year 2014. On an organic basis, our Benefits segment revenue grew 6%. Revenue increased in all lines of business and across all regions. Revenue from our Retirement line of business, which makes up a majority of the segment, increased 4%, with growth in all regions. The growth was primarily due to an increase in non-recurring bulk lump sum project work in the first half of the fiscal year and, in general, project activity in the Americas region, while commission activity helped drive growth in the EMEA region. Our Health and Group Benefits line of business had a 9% revenue increase primarily due to new plan management work and an increase in special projects in the Americas. Our Technology and Administration Solutions line of business experienced 11% revenue growth primarily due to non-recurring bulk lump sum projects in the first half of the fiscal year and an increase in pension administration and special projects in EMEA driven by changes in the UK retirement legislation. Our International Consulting line of business experienced a 13% increase in revenue primarily due to mergers and acquisitions ("M&A") activity in the Americas and EMEA regions.

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Revenue generated from each line of business within the Benefits segment for the fiscal years ended June 30, 2014 and June 30, 2013 are as follows:

	Fiscal Year Ended June 30,			Components of Change			
(in thousands)	2014	2013	As Reported Change	Currency Impact	Constant Currency Change	Acquisitions/Divestitures	Organic Change
Revenue by line of business:							
Retirement	$1,327,019	$1,365,775	(3)%	— %	(3)%	— %	(3)%
Health and Group Benefits	300,040	300,763	— %	(1)%	1 %	— %	1 %
Technology and Administration Solutions	175,322	165,673	6 %	3 %	3 %	— %	3 %
International Consulting	70,908	70,300	1 %	2 %	(1)%	— %	(1)%
Total revenue (net of reimbursable expenses)	$1,873,289	$1,902,511	(2)%	— %	(2)%	— %	(2)%

Benefits revenue decreased $29.2 million, or 2%, and was $1.87 billion for fiscal year 2014 compared to $1.90 billion for fiscal year 2013. On an organic basis, Benefits revenue decreased 2%. Our Retirement line of business revenue, which makes up the majority of the segment, decreased 3%. While we continued to perform bulk lump sum projects, we did not have, and did not expect to have, the level of project work and revenue that we attained in fiscal year 2013. Our Health and Group Benefits business increased 1%. Our Technology and Administration Solutions line of business experienced 3% revenue growth due to new client work. The revenues in this line of business are recognized from the go-live date. The revenue growth in fiscal year 2014 was primarily a result of new client wins in fiscal 2013. We have also experienced an increase in implementation projects in fiscal year 2014. Our International Consulting line of business revenue declined 1%.

Exchange Solutions Segment. Exchange Solutions accounted for approximately 11% of our segment revenue for the fiscal year ended June 30, 2015, and operates predominantly in the United States.

On January 23, 2014, Towers Watson announced plans to expand the Exchange Solutions segment by combining operations and associates from the Health & Welfare practice of the Technology and Administration Solutions North America line of business and certain associates from the Health and Group Benefits line of business with the Retiree & Access Exchanges line of business and the Liazon acquisition to better align their respective strategic goals. The restructuring took effect on July 1, 2014. This segment has two lines of business:

- Retiree & Access Exchanges — The Retiree & Access Exchanges line of business provides solutions through a proprietary technology platform, which integrates patented call routing technology, efficient quoting and an enrollment engine, a custom-developed Customer Relationship Management ("CRM") system and comprehensive insurance carrier connectivity. This business provides primary medical and ancillary benefit exchange services to retirees and pre-65 individuals through its proprietary 'group to individual' technology platform, which tightly integrates patented call routing technology, efficient quoting, an enrollment engine, a custom-developed Customer Relationship Management ("CRM") system and comprehensive insurance carrier connectivity.
- Other — This line of business is comprised of three practices:

Active Exchanges — This business is focused on delivering group benefit exchanges serving the active employees of virtually any employer across the United States. Using our proprietary BenefitConnect or Bright Choices exchange platforms, combined with our expertise in creating high-performing benefit plan designs, we believe we are well-positioned to help our clients simplify their benefits delivery, while lowering the total costs of benefits and related administration. We have relationships with more than 400 broker partners to access and service the small to mid-size group market and offer both fully-insured and self-insured exchanges to meet the needs of our employer clients.

Consumer-Directed Accounts — This business uses its Software as a Service ("SaaS") —based technology and related services to deliver consumer-driven health care and reimbursement accounts, including health savings accounts ("HSAs"), health reimbursement arrangements ("HRAs") and other consumer-directed accounts. While its core focus is on health plan accounts, this proprietary platform supports more than 30 other account types including tuition, adoption, commuter and child care.
Health and Welfare Administration — This business provides a complete suite of health and welfare outsourcing services to more than 100 clients across multiple industries. By combining our proprietary

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BenefitConnect technology platform with our disciplined approach to customer service, we can cost-effectively offer clients high-touch service.
A significant portion of the revenue in this segment is recurring in nature, driven by either the commissions from the policies we sell or from long-term service contracts with our clients that typically range from three to five years. Revenue across this segment is seasonal, driven by the fact that we typically increase our membership levels significantly effective January 1, after calendar year-end benefits elections. This results in revenues that are higher in the second half of the fiscal year than the first half of the fiscal year. Costs are also seasonal and tend to be higher during the first half of the fiscal year, because we deploy temporary resources to service the enrollment activity associated with our client's January 1-effective transitions.
Revenue generated from each line of business within the Exchange Solutions segment for the fiscal years ended June 30, 2015 and June 30, 2014 are as follows:

(in thousands)	Fiscal Year Ended June 30, 2015	2014	As Reported Change	Components of Change: Currency Impact	Constant Currency Change	Acquisitions/Divestitures	Organic Change
Revenue by line of business:							
Retiree and Access Exchanges	$229,957	$164,171	40 %	N/A	40 %	— %	40 %
Other	145,063	112,189	29 %	N/A	29 %	7 %	22 %
Total revenue (net of reimbursable expenses)	$375,020	$276,360	36 %	N/A	36 %	3 %	33 %

Exchange Solutions revenue increased $98.7 million, and was $375.0 million, for fiscal year 2015 compared to $276.4 million for fiscal year 2014, an increase of 36%. Exchange Solutions revenue is entirely denominated in U.S. dollars. On an organic basis, our Exchange Solutions segment revenue grew 33%. Our Retiree and Access Exchanges line of business revenue increased 40%. Revenues for this line of business are recognized over the related policy year and as such, the increase in fiscal year 2015 was driven by strong annual enrollments and off-cycle enrollments from both the current and prior years. Revenue in our Other line of business grew 22%, driven by the full fiscal year impact of Health and Welfare prior year installations, as well as new client activity implemented during the fiscal year. The majority of the go-live dates for these clients occurred between January 2014 and August 2014. In the fourth quarter of fiscal year 2015, we acquired Acclaris Holdings, Inc. ("Acclaris"), which offers flexible products that include integrated technology and services to support account-based benefits on a single platform in a scalable way. As of June 30, 2015, we had approximately 840,000 OneExchange Retiree members and approximately 330,000 lives on our Active Exchanges.
Revenue generated from each line of business within the Exchange Solutions segment for the fiscal years ended June 30, 2014 and June 30, 2013 are as follows:

(in thousands)	Fiscal Year Ended June 30, 2014	2013	As Reported Change	Components of Change: Currency Impact	Constant Currency Change	Acquisitions/Divestitures	Organic Change
Revenue by line of business:							
Retiree and Access Exchanges	$164,171	$94,858	73 %	N/A	73 %	— %	73 %
Other	112,189	91,947	22 %	N/A	22 %	8 %	14 %
Total revenue (net of reimbursable expenses)	$276,360	$186,805	48 %	N/A	48 %	4 %	44 %

Exchange Solutions revenue was $276.4 million for fiscal year 2014 compared to $186.8 million for fiscal year 2013, a 48% increase. As our newest segment, Exchange Solutions contributed 8% to the Company's total revenue for fiscal year 2014. Our Retiree and Access Exchanges line of business revenue increased 73%. Revenues for this line of business are recognized over the related policy year and as such, the increase in fiscal year 2014 was driven by strong annual enrollments and off-cycle enrollments in the prior year. Revenue in our Other line of business grew 14%, driven by Health and Welfare new client wins in the prior year which had not yet gone-live in the first half of fiscal year 2013. In the second quarter of the fiscal year 2014, we acquired Liazon to round out our portfolio of exchange offerings by adding fully-insured healthcare options and enhancing the ancillary benefit programs to the OneExchange platform. As of June 30, 2014, we had approximately 600,000 OneExchange Retiree members and approximately 130,000 lives on our Active Exchanges.

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Risk and Financial Services Segment. The Risk and Financial Services segment accounted for 17% of our total segment revenue for the fiscal year ended June 30, 2015. Approximately 72% of the segment's revenue originates from outside the United States and is thus subject to translation exposure resulting from foreign exchange rate fluctuations. Within the Risk and Financial Services segment, we have two lines of business:

- Risk Consulting and Software — This business serves the insurance industry as well as corporate clients with respect to their insurance and risk management needs.
- Investment — The Investment line business helps our clients manage investment complexity, establish their risk tolerance and improve governance.

The segment has a strong base of recurring revenue, driven by long-term client relationships in retainer investment consulting assignments, software solutions, consulting services on financial reporting, and actuarial opinions on property/casualty loss reserves. Some of these relationships have been in place for more than 20 years. A portion of the revenue is related to project work, which is more heavily dependent on the overall level of discretionary spending by clients. This work is favorably influenced by strong client relationships, particularly related to M&A consulting. Major revenue growth drivers include changes in regulations, the level of M&A activity in the insurance industry, and growth in pension and other asset pools. In the first quarter of fiscal year 2014, we entered into an agreement to sell our Reinsurance and Property and Casualty Insurance Brokerage business ("Brokerage") to JLT, closing the transaction in our second quarter of fiscal year 2014. We have reclassified the operating results of Brokerage as discontinued operations in our consolidated statements of operations for fiscal years 2014 and 2013.

Revenue generated from each line of business within the Risk and Financial Services segment for the fiscal years ended June 30, 2015 and June 30, 2014 are as follows:

	Fiscal Year Ended June 30,			Components of Change			
(in thousands)	2015	2014	As Reported Change	Currency Impact	Constant Currency Change	Acquisitions/Divestitures	Organic Change
Revenue by line of business:							
Risk Consulting and Software	$374,126	$393,471	(5)%	(4)%	(1)%	— %	(1)%
Investment	229,495	244,966	(6)%	(4)%	(2)%	— %	(2)%
Total revenue (net of reimbursable expenses)	$603,621	$638,437	(5)%	(4)%	(1)%	— %	(1)%

Risk and Financial Services revenue was $603.6 million for fiscal year 2015 compared to $638.4 million for fiscal year 2014, a 5% decrease. On an organic basis, our Risk and Financial Services segment revenue decreased 1%. Our Risk Consulting and Software line of business revenue decreased 1%, with lower consulting demand offsetting the growth in recurring software sales. Following the restructuring in fiscal year 2014, EMEA experienced continued market stabilization and better project management. Our Investment line of business experienced a 2% revenue decline, reflecting a strong comparable in EMEA from the first half of fiscal year 2014, when it had higher than normal project work and performance fees.

Revenue generated from each line of business within the Risk and Financial Services segment for the fiscal years ended June 30, 2014 and June 30, 2013 are as follows:

	Fiscal Year Ended June 30,			Components of Change			
(in thousands)	2014	2013	As Reported Change	Currency Impact	Constant Currency Change	Acquisitions/Divestitures	Organic Change
Revenue by line of business:							
Risk Consulting and Software	$393,471	$413,835	(5)%	1 %	(6)%	— %	(6)%
Investment	244,966	231,510	6 %	1 %	5 %	— %	5 %

Total revenue (net of reimbursable expenses)	$638,437	$645,345	(1)%	1%	(2)%	—%	(2)%

Risk and Financial Services revenue was $638.4 million for fiscal year 2014 compared to $645.3 million for fiscal year 2013, a 1% decrease. Risk and Financial Services revenue decreased 2% on an organic basis. The Risk and Financial Services segment revenue decline was primarily from a 6% decrease in our Risk Consulting and Software line of business revenue across all regions, particularly in Asia Pacific and EMEA. In fiscal year 2013, we began restructuring efforts, as there was low client demand for discretionary projects. The restructuring was completed in fiscal year 2014. While we experienced a decrease in

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consulting revenue, our property and casualty software revenue continued to be strong. Our Investment line of business experienced 5% revenue growth, across all regions, due to increased project work and performance fees.

Talent and Rewards Segment. The Talent and Rewards segment accounted for approximately 18% of our total segment revenue for the fiscal year ended June 30, 2015. Approximately 45% of the segment's revenue originates from outside the United States, and is thus subject to translation exposure resulting from foreign exchange rate fluctuations. The Talent and Rewards Segment has three lines of business:

- Executive Compensation — This business advises clients' management and boards of directors on all aspects of executive pay programs, including base pay, annual bonuses, long-term incentives, perquisites and other benefits.
- Rewards, Talent and Communication — This business offers a broad array of advisory services focused on designing and implementing Rewards and Talent Management programs and processes. These solutions help companies attract and deploy talent, engage them over time, manage and reward their performance, develop their skills, provide them with relevant career paths, communicate with them and manage organizational change initiatives.
- Data, Surveys and Technology — This business provides benchmarking data, employee surveys and HR software to help companies administer and manage their talent management and reward programs.

Revenue for the Talent and Rewards segment has increasing seasonality, with a meaningful amount of heightened activity in the first half of our fiscal year during the annual compensation, benefits and survey cycles. Major revenue growth drivers in this group include demand for workforce productivity improvements and labor cost reductions, focus on high performance culture, globalization of the workforce, changes in regulations and benefits programs, M&A activity, the demand for universal metrics related to workforce engagement and the opportunity to leverage technology to manage annual talent management and reward processes.

Revenue generated from each line of business within the Talent and Rewards segment for the fiscal years ended June 30, 2015 and June 30, 2014 are as follows:

	Fiscal Year Ended June 30,			Components of Change			
(in thousands)	2015	2014	As Reported Change	Currency Impact	Constant Currency Change	Acquisitions/Divestitures	Organic Change
Revenue by line of business:							
Executive Compensation	$144,310	$136,198	6 %	(3)%	9 %	— %	9 %
Rewards, Talent and Communication	243,715	224,311	9 %	(3)%	12 %	— %	12 %
Data Surveys and Technology	234,795	222,194	6 %	(3)%	9 %	1 %	8 %
Total revenue (net of reimbursable expenses)	$622,820	$582,703	7 %	(3)%	10 %	— %	10 %

Talent and Rewards revenue was $622.8 million for fiscal year 2015, compared to $582.7 million for fiscal year 2014, a 7% increase. On an organic basis, Talent and Rewards revenue increased 10%. Revenue increased in all lines of business and across all regions. Our Executive Compensation line of business revenue grew by 9%, with growth in all regions. The increase in the Americas region was primarily due to an increase in initial public offering and M&A projects, and success in targeted industries, while the increase in the Asia Pacific region was primarily due to the adoption of new regulations and new client work. Rewards, Talent and Communication line of business revenue, which is primarily project-oriented, increased 12%, with growth in all regions. The America's region led the growth in this line of business, primarily due to a strong enrollment season in the U.S. and transaction work, followed by the EMEA region, which experienced an increase in M&A activity. Data, Surveys and Technology line of business revenue increased 8%, primarily due to growth in employee engagement surveys, and HR technology. In the fourth quarter of fiscal year 2015, we acquired Saville Consulting Group Limited ("Saville") which is a global psychometric assessment business. Saville is included in our Data, Surveys and Technology line of business.

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Revenue generated from each line of business within the Talent and rewards segment for the fiscal years ended June 30, 2014 and June 30, 2013 are as follows:

(in thousands)	Fiscal Year Ended June 30, 2014	2013	As Reported Change	Components of Change: Currency Impact	Constant Currency Change	Acquisitions/Divestitures	Organic Change
Revenue by line of business:							
Executive Compensation	$136,198	$133,879	2 %	— %	2 %	— %	2 %
Rewards, Talent and Communication	224,311	234,157	(4)%	— %	(4)%	— %	(4)%
Data Surveys and Technology	222,194	205,300	8 %	(1)%	9 %	— %	9 %
Total revenue (net of reimbursable expenses)	$582,703	$573,336	2 %	— %	2 %	— %	2 %

Talent and Rewards revenue was $582.7 million for fiscal year 2014 compared to $573.3 million for fiscal year 2013, a 2% increase on an as reported and organic basis. Data, Surveys and Technology line of business revenue increased 9%, as demand for human resources software implementations and employee surveys drove revenue growth across all regions. Rewards, Talent and Communication line of business revenue, which is primarily project-oriented, decreased 4%. We experienced softness in this line of business in the Americas and EMEA regions during fiscal year 2014. Additionally, our results were impacted as our communications consultants were redeployed to support Exchange Solutions product development and sales. Our Executive Compensation business experienced a 2% increase in revenue, primarily in the Americas, where demand remained solid. We anticipate modest revenue growth for our Talent and Rewards segment from several of our practice areas, including Data, Surveys and Technology. In June 2014, we released three SaaS HR technology solutions. We are seeing a higher usage of HR service center technology as organizations look to improve their employees' experience without increasing costs.

Additional Consolidated Financial Information

The table below details our consolidated operating expenses for the periods indicated, as well as each item's corresponding percentage of revenue.

(in thousands)	Fiscal Year Ended June 30, 2015		2014		2013	
Operating expenses						
Salaries and employee benefits	$2,159,057	59 %	$2,106,431	60 %	$2,085,188	61 %
Professional and subcontracted services	268,277	7 %	249,775	7 %	267,715	8 %
Occupancy	137,841	4 %	137,883	4 %	139,942	4 %
General and administrative expenses	311,906	9 %	317,448	9 %	303,472	9 %
Depreciation and amortization	172,287	5 %	174,818	5 %	173,040	5 %
Transaction and integration expenses	6,984	— %	1,049	— %	30,753	1 %
Total operating expenses	$3,056,352	84 %	$2,987,404	86 %	$3,000,110	87 %

Salaries and Employee Benefits

Our most significant expense is compensation to associates, which typically comprises approximately 70% of total costs of providing services. Salaries and employee benefits are comprised of wages paid to associates, related taxes, severance, benefit expenses such as pension, medical and insurance costs, and fiscal year-end incentive bonuses. We compensate our directors, executive officers and other select associates with incentive non-cash stock-based compensation awards which generally vest equally over three years. We use a graded vesting expense methodology that assumes the equity awards are issued to participants in equal amounts of shares that vest over one year, two years and three years, giving the effect of more expense in the first year than the second and third. Our equity awards are settled in Towers Watson Class A common stock.

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Salaries and employee benefits was $2.16 billion for fiscal year 2015 compared to $2.11 billion for fiscal year 2014, an increase of $52.6 million, or 2%. We experienced a $6.1 million decrease in salaries, wage related taxes and fringe benefits for fiscal year 2015. The decrease is associated with the rationalizing of our staff in fiscal year 2015, primarily in our Corporate functions and in our Benefits segment in EMEA. Our discretionary annual bonus is based on pre-bonus profitability, and fluctuates based on our operating results. As a result, our bonus expense for fiscal year 2015 increased by $75.2 million compared to fiscal year 2014. Additionally, we experienced a $12.5 million increase in stock-based compensation expense, which was driven primarily by performance-based plans that can fluctuate with the operating results of the Company. Our pension expense decreased $29.9 million, driven by higher than expected return on assets in the North American plans. As a percentage of revenue, salaries and employee benefits was 59% for fiscal year 2015 compared to 60% for fiscal year 2014.

Salaries and employee benefits was $2.11 billion for fiscal year 2014 compared to $2.09 billion for fiscal year 2013, an increase of $21.2 million, or 1%. We experienced a $64.0 million increase in salaries, wage related taxes and fringe benefits for fiscal year 2014. The increase was driven by our adding personnel in high growth areas of our business coupled with our rationalizing in other business areas which resulted in increased severance costs. Our discretionary annual bonus is based on pre-bonus profitability, and fluctuates based on our operating results. As a result, our bonus expense for fiscal year 2014 decreased by $24.8 million compared to fiscal year 2013. Our pension expense decreased $15.3 million. The decrease in our pension expense was due to increases in discount rates and favorable investment returns. As a percentage of revenue, salaries and employee benefits was 60% for fiscal year 2014 compared to 61% for fiscal year 2013.

In October 2014, the Society of Actuaries released final reports on a study of mortality and mortality improvement in U.S. pension plans, which suggest that recent mortality experience across U.S. pension plans is stronger than that which has been assumed in the determination of our pension and postretirement obligations and cost. We estimate that these changes will increase annual U.S. benefit plan costs for the Company starting in fiscal year 2016 by approximately $15 million to $20 million.

Professional and Subcontracted Services

Professional and subcontracted services represent fees paid to external service providers for employment, marketing and other services. For the three most recent fiscal years, approximately 30% to 40% of the professional and subcontracted services were directly incurred on behalf of clients and were reimbursed by them, with such reimbursements being included in revenue. For the fiscal year ended June 30, 2015, these reimbursable services represented approximately 35% of professional and subcontracted services.

Professional and subcontracted services for fiscal year 2015 was $268.3 million, compared to $249.8 million for fiscal year 2014, an increase of $18.5 million, or 7%. Our external service provider fees increased by $13.6 million compared to fiscal year 2014. This was primarily due to an increase in seasonal employees for the Retiree and Access Exchange business. Our pass-through expenses, which are generally reimbursable under our contracts, increased by $4.9 million. As a percentage of revenue, professional and subcontracted services remained flat at 7% for fiscal years 2015 and 2014.

Professional and subcontracted services for fiscal year 2014 was $249.8 million, compared to $267.7 million for fiscal year 2013, a decrease of $17.9 million, or 7%. Our external service provider fees decreased by $15.7 million compared to fiscal year 2013. We contracted with these service providers to supplement our day-to-day operations. In fiscal year 2014, our telecommunication, video conferencing, and internet services were managed by our in-house information technology department, and these expenses are classified in general and administrative expenses. Our pass-through expenses, which are generally reimbursable under our contracts, decreased by $2.3 million. As a percentage of revenue, professional and subcontracted services decreased to 7% for fiscal year 2014 from 8% for fiscal year 2013.

Occupancy

Occupancy includes expenses for rent and utilities, as well as the net reduction to rent related to the amortization of acquired favorable and unfavorable lease agreements.

Occupancy expense for fiscal year 2015 was $137.8 million, remaining flat compared to $137.9 million for fiscal year 2014. As a percentage of revenue, occupancy expense was 4% for fiscal years 2015 and 2014.

Occupancy expense for fiscal year 2014 was $137.9 million, compared to $139.9 million for fiscal year 2013, a decrease of $2.0 million, or 1%. The decrease in occupancy expenses relates to cost savings from the combination of duplicative office spaces. As a percentage of revenue, occupancy expense was 4% for fiscal years 2014 and 2013.

General and Administrative Expenses

General and administrative expenses include legal, marketing, supplies, telephone and networking costs to operate office locations, as well as insurance, including premiums on excess insurance and losses on professional liability claims, non-client-

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reimbursed travel by associates, publications and professional development. This line item also includes miscellaneous expenses, including gains and losses on foreign currency transactions.

General and administrative expenses for fiscal year 2015 was $311.9 million, compared to $317.4 million for fiscal year 2014, a decrease of $5.5 million, or 2%. The decrease was primarily driven by lower marketing and foreign currency expense, offset by an increase in our professional liability claims expense due to increases in our current legal reserves and reductions in the current year IBNR reserves. As a percentage of revenue, general and administrative expenses was 9% for fiscal years 2015 and 2014.

General and administrative expenses for fiscal year 2014 was $317.4 million, compared to $303.5 million for fiscal year 2013, an increase of $13.9 million, or 5%. The increase was primarily from additional travel expenses and software maintenance costs, as well as an increase of $1.7 million in our professional liability and other claims expense due to increases in our current legal reserves and reductions in prior year IBNR reserves. The increases were partially offset by a decrease of $2.5 million in our telecommunications, video conferencing, internet and general office expenses for fiscal year 2014 compared to fiscal year 2013. These expenses were classified in professional and subcontracted services in fiscal year 2013, as we previously contracted with an external service provider for these services. As a percentage of revenue, general and administrative expenses was 9% for fiscal years 2014 and 2013.

Depreciation and Amortization

Depreciation and amortization expense includes the depreciation of fixed assets and amortization of intangible assets and internally-developed software.

Depreciation and amortization expense for fiscal year 2015 was $172.3 million, compared to $174.8 million for fiscal year 2014, a decrease of $2.5 million, or 1%. As a percentage of revenue, depreciation and amortization expenses was 5% for fiscal years 2015 and 2014.

Depreciation and amortization expense for fiscal year 2014 was $174.8 million, compared to $173.0 million for fiscal year 2013, an increase of $1.8 million, or 1%. As a percentage of revenue, depreciation and amortization expenses was 5% for fiscal years 2014 and 2013.

Transaction and Integration Expense

Transaction and integration expense includes fees and charges associated with our merger and acquisitions and principally consist of integration consultants, contract termination fees, as well as legal, accounting, marketing, and information technology integration expenses.

Transaction and integration expense for fiscal year 2015 was $7.0 million, compared to $1.0 million for fiscal year 2014, an increase of $6.0 million. The increase is principally related to our Acclaris and Saville acquisitions, along with charges related to the recent merger announcement. As a percentage of revenue, transaction and integration expense was less than 1% for fiscal years 2015 and 2014.

Transaction and integration expense for fiscal year 2014 was $1.0 million, compared to $30.8 million for fiscal year 2013, a decrease of $29.8 million. The decrease was principally due to a reduction in expenses related to information technology integration projects that were ongoing in fiscal year 2012 and completed in fiscal year 2013. As a percentage of revenue, transaction and integration expense was less than 1% for fiscal year 2014 and 1% for fiscal year 2013.

Income / (Loss) from Affiliates

Income from affiliates for fiscal year 2015 was less than $0.1 million.

There was no income or loss from affiliates for fiscal year 2014.

Loss from affiliates for fiscal year 2013 was $0.1 million.

Interest Income

Interest income was $3.9 million, $2.8 million and $2.4 million for fiscal years 2015, 2014 and 2013 respectively.

Interest Expense

Interest expense was $9.1 million for fiscal year 2015, compared to $9.0 million for fiscal year 2014, which was in line with our outstanding principal balances during the fiscal years.

Interest expense was $9.0 million for fiscal year 2014, compared to $12.7 million for fiscal year 2013, which was in line with our outstanding principal balances during the fiscal years.

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Other Non-Operating Income

Other non-operating income for fiscal year 2015 was $2.2 million, compared to $10.2 million for fiscal year 2014. During fiscal year 2014, we recorded $6.3 million of mark-to-market gains on investments held by a consolidated variable interest entity. The variable interest entity was subsequently deconsolidated in our third fiscal quarter due to changes in the terms of our contract.

Other non-operating income for fiscal year 2014 was $10.2 million, compared to $6.9 million for fiscal year 2013. During fiscal year 2014, we recorded $6.3 million of mark-to-market gains on investments held by a consolidated variable interest entity. The variable interest entity was subsequently deconsolidated in our third fiscal quarter.

Provision for Income Taxes

The provision for income taxes for fiscal year 2015 was $200.1 million, compared to $138.2 million in fiscal year 2014. The effective tax rate was 34.2% for fiscal year 2015 and 27.7% for fiscal year 2014. Our effective tax rate increased by 6.5% for fiscal year 2015 as compared to fiscal year 2014, primarily due to prior year income tax benefits on the release of uncertain tax positions related to lapses in statute of limitations and effective settlement of tax positions in the U.S of 2.1% and an increase in current year uncertain tax positions of 2.4%.

The U.K. Finance Act 2015 received Royal Assent and was enacted on March 26, 2015. This legislation includes a new Diverted Profits Tax (“DPT”). The DPT will apply as of April 1, 2015 to profits of multinationals that are considered to have been diverted from the U.K. taxation as defined under the law. If the U.K. determines that profits have been diverted, such profits will be subject to tax at a rate of 25%. The DPT will apply in two situations; (a) where a foreign company has purposefully avoided having a taxable presence in the U.K, or (b) where a group has entered into a tax advantageous structure or transaction that lacks economic substance. Although the intentions of the legislation are to address aggressive tax planning lacking in economic substance, the legislation may have a wider reach as the guidance was drafted very broadly. At June 30, 2015 the Company has determined that it will not be liable for the DPT. The Company will continue to evaluate the impact of the DPT on future operations.

The provision for income taxes for fiscal year 2014 was 27.7% compared with 31.9% in fiscal year 2013. Our effective tax rate decreased by 4.2% for fiscal year 2014 compared to fiscal year 2013 primarily due to current year income tax benefits on the release of uncertain tax positions related to lapses in statute of limitations and effective settlement of tax positions in various taxing jurisdictions, primarily the U.S.

Income from Discontinued Operations, net of income tax

There was no income from discontinued operations for fiscal year 2015. Income from discontinued operations for fiscal year 2014 was $6.1 million, compared to $23.6 million for fiscal year 2013. The operations of our Brokerage business, formerly part of our Risk and Financial Services segment, have been classified as discontinued operations for all periods presented, as a result of our Board of Directors committing to a plan of action to sell the business in our first quarter of fiscal year 2014. During the second quarter, we closed the sale of the business to JLT. Included in income from discontinued operations for fiscal year 2014 is a pre-tax gain on the sale of $24.0 million. This gain results from the adjusted consideration of $215.1 million, offset by transaction costs of $6.4 million, accelerated stock-based compensation awards of $1.0 million, and $184.8 million in removal of Brokerage net assets, primarily goodwill and intangible assets, not transferred in the deal. The sale of our Brokerage business resulted in a significant taxable gain, since the disposal of the goodwill and intangible assets associated with the business is not tax-deductible.

The following selected financial information relates to the Brokerage business's operations for the fiscal years ended June 30, 2014 and 2013:

	Fiscal Year Ended,	
(in thousands)	2014	2013
Revenue from discontinued operations	$63,762	$164,270
Income from discontinued operations before taxes	21,308	39,203
Tax expense on discontinued operations	7,522	15,561
Net income from discontinued operations	13,786	23,642
Gain from sale of discontinued operations	23,951	—

Tax expense on gain from sale of discontinued operations	31,680	—
Net loss from sale of discontinued operations	(7,729)	—
Total net income from discontinued operations	$6,057	$23,642

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Liquidity and Capital Resources

Executive Summary

Our most significant sources of liquidity are funds generated by operating activities, available cash and cash equivalents, and our credit facility. Consistent with our liquidity position, management considers various alternative strategic uses of cash reserves including acquisitions, dividends and stock buybacks, or any combination of these options.

We believe that we have sufficient resources to fund operations beyond the next 12 months. The key variables that we manage in response to current and projected capital resource needs include credit facilities and short-term borrowing arrangements, working capital, mergers and acquisitions, the amount of dividend payments and our stock repurchase program.

The historical cumulative earnings of our foreign subsidiaries are reinvested indefinitely and we do not provide U.S. deferred tax liabilities on these amounts. We believe the Company's current cash position, and access to capital markets (via a supplemental offering, if needed) will allow it to meet its U.S. cash obligations without repatriating historical cumulative foreign earnings. Further, non-U.S. cash is used for working capital needs of our non-U.S. operations and may be used for foreign restructuring expenses or acquisitions. It is not practicable to estimate the U.S. federal income tax liability that might be payable if such earnings are not reinvested indefinitely. If future events, including material changes in estimates of cash, working capital, long-term investment requirements or U.S. Tax Reform necessitate that these earnings be distributed, an additional provision for U.S. income and foreign withholding taxes, net of foreign tax credits, may be necessary.

Assets and liabilities associated with non-U.S. entities have been translated into U.S. dollars as of June 30, 2015, at U.S. dollar rates that fluctuate compared to historical periods. As a result, cash flows derived from changes in the consolidated balance sheets include the impact of the change in foreign exchange translation rates.

Events that could change the historical cash flow dynamics discussed above include significant changes in operating results, potential future acquisitions, material changes in geographic sources of cash, unexpected adverse impacts from litigation or future pension funding during periods of severe downturn in the capital markets.

Cash and Short-term Investments

Our cash and cash equivalents at June 30, 2015 totaled $715.2 million, compared to $727.8 million at June 30, 2014. The small decrease in cash and short-term investments was due in part to increased cash returned to shareholders in the form of dividends and stock repurchases, partially offset by higher net income and increased borrowings.

Short-term investments at June 30, 2015 totaled $127.2 million compared to $122.8 million at June 30, 2014. These assets consist primarily of held-to-maturity investments in certificates of deposit and time deposits which have been classified as short-term.

At June 30, 2015, cash and cash equivalents of $22.2 million and short term investments of $5.0 million from the consolidated balance sheets of Professional Consultants Insurance Company ("PCIC") and Stone Mountain Insurance Company ("SMIC") are available for payment of professional liability and other claims reserves. Additionally, we have fiduciary assets totaling $38.1 million at June 30, 2015, which is related to our health and welfare benefits administration outsourcing business. These amounts are held in a fiduciary capacity on behalf of clients and are not available for general use by the Company. Adjusting for these items, we have a net $692.9 million of cash and $122.1 million of short-term investments that are available for our general use.

Our non-U.S. operations are substantially self-sufficient for their working capital needs. As of June 30, 2015, $642.0 million of Towers Watson's total cash and cash equivalents balance of $715.2 million and $122.0 million of our $127.2 million of our total short-term investments were held outside of the United States. Should we require more capital in the U.S. than is generated by our U.S. operations, we may decide to make additional borrowings under our Senior Credit Facility, repatriate funds held in foreign jurisdictions or raise capital in the U.S. through debt or equity issuances. These alternatives could result in higher effective tax rates or increased interest expense. We do not expect restrictions or taxes on repatriation of cash held outside the U.S. to have a material effect on the Company's overall liquidity, financial condition or results of operations.

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Summarized Consolidated Cash Flows

The following table presents the summarized consolidated cash flow information for the years indicated:

(in thousands)	Fiscal Year Ended June 30, 2015	2014	2013
Net cash from/(used in):			
Operating activities	$573,519	$456,091	$531,314
Investing activities	(361,975)	(268,062)	(137,766)
Financing activities	(190,528)	(15,244)	(326,680)
Effect of exchange rate changes on cash and cash equivalents	(33,714)	22,259	(12,242)
(Decrease)/increase in cash and cash equivalents	(12,698)	195,044	54,626
Cash and cash equivalents beginning of period	727,849	532,805	478,179
Cash and cash equivalents end of period	$715,151	$727,849	$532,805

Cash Flows From Operating Activities.

Cash flows from operating activities were $573.5 million, $456.1 million, and $531.3 million for fiscal years ended June 30, 2015, 2014 and 2013, respectively.

The significant source of cash provided by operating activities during the fiscal years ended June 30, 2015, 2014 and 2013 were provided by cash collections from clients, totaling $3.77 billion, $3.59 billion and $3.50 billion, respectively.

In addition to the normal funding of our operations, the primary uses of cash from operating activities during the fiscal years ended June 30, 2015 and 2014 related to the annual payout of bonuses as well as the payment of pension contributions to our qualified plans or benefit payments made through our non-qualified plans. In the fiscal year ended June 30, 2015, we made additional tax payments of $131.5 million as compared to the prior fiscal year. These additional payments were largely driven by the taxable gain recognized in connection with the sale of our Brokerage business to JLT in November 2013 and U.S. estimated tax payments related to fiscal year 2015. Our bonus payment made in fiscal year 2015 decreased from the payment made in fiscal year 2014 by $52.9 million and our payment in fiscal year 2014 increased $22.3 million from the payment made in fiscal year 2013. Total pension contributions and pension benefit payments were $145.5 million, $209.4 million and $231.4 million, respectively, for the fiscal years ended June 30, 2015, 2014 and 2013.

The allowance for doubtful accounts decreased $0.4 million from June 30, 2014 to June 30, 2015. The number of days of accounts receivable outstanding decreased to 77 at June 30, 2015 compared to 80 at June 30, 2014 and 83 at June 30, 2013. Our working capital decreased by June 30, 2014 by $68.5 million to $705.4 million at June 30, 2015.

Cash Flows Used in Investing Activities.

Cash flows used in investing activities for fiscal years ended June 30, 2015, 2014 and 2013 were $362.0 million, $268.1 million, and $137.8 million, respectively.

Cash flows used in investing activities of $362.0 million for the fiscal year June 30, 2015 were driven by $207.0 million of cash paid, net of cash acquired, to acquire Acclaris and Saville in addition to $135.2 million in fixed asset purchases and capitalized costs of developing internal and external facing software and $27.8 million of net purchases resulting from the purchases and redemptions of held-to-maturity investments. These cash outflows were offset by the $8.1 million net proceeds resulting from the sale or redemption of available-for-sale securities.

Cash flows used in investing activities of $268.1 million for the fiscal year ended June 30, 2014 were driven by cash paid, net of cash acquired, to acquire Liazon of $194.1 million, cash transferred to JLT as part of the Brokerage sale of $25.1 million, fixed asset purchases and capitalized costs of developing internal and external facing software of $120.8 million, investment purchases made by our temporarily consolidated variable interest entity of $109.5 million, and investment purchases of held-to-maturity and available-for-sale securities of $173.1 million. These cash outflows were offset by the sale of our Brokerage business to JLT for cash proceeds of $259.7 million, as well as proceeds resulting from the sale or redemption of $94.9 million of available-for-sale and held-to-maturity securities.

Cash flows used in investing activities of $137.8 million for the fiscal year ended June 30, 2013 were driven by $128.0 million in fixed asset purchases and capitalized costs of developing internal and external facing software, investment purchases of available-for-sale securities of $61.3 million. These cash outflows were offset by $49.1

million in proceeds from the sale or redemption of available-for-sale securities.

Cash Flows Used in Financing Activities.

Cash flows used in financing activities for fiscal years ended June 30, 2015, 2014 and 2013 were $190.5 million, $15.2 million, and $326.7 million, respectively.

Cash flows used in financing activities of $190.5 million for the fiscal year ended June 30, 2015 were primarily driven by $41.8 million in dividends paid, $168.2 million in share repurchases made under our repurchase authorizations, $25.0 million in repayment on our Term Loan, as well as the first scheduled retention payment of $10.3 million made in connection with the sale of our Brokerage business to JLT in November 2013. During the fiscal year ended 2015, the average outstanding balance on our Senior Credit Facility was $32.0 million, and the largest outstanding balance at any point in time was $135.0 million.

Cash flows used in financing activities of $15.2 million for the fiscal year ended June 30, 2014 were primarily driven by $109.5 million of cash inflows to our temporarily consolidated variable interest entity. These net inflows were primarily offset by $92.8 million paid to repurchase shares under our repurchase authorizations and a repayment on our Term Loan of $25.0 million. During fiscal year ended 2014, the average outstanding balance on our Senior Credit Facility was $9.3 million, and the largest outstanding balance during the period was $57.5 million.

Cash flows used in financing activities of $326.7 million for the fiscal year ended June 30, 2013 were primarily driven by net repayments of $208.0 million on our Senior Credit Facility, $48.2 million in dividends paid, and $46.6 million in share repurchase made under our repurchase authorizations. During the fiscal year ended 2013, the average outstanding balance on our Senior Credit Facility was $197.1 million, and the largest outstanding balance at any point in time was $365.9 million.

Share Repurchase Program

The Towers Watson Board of Directors has authorized the Company to periodically repurchase shares of common stock under distinct sets of authority. Prior to August 22, 2014, there were two such sets.

The purpose of the first authority was to offset the dilutive effect of issuance of shares under the Company's equity-based compensation plans ("Dilution") and was approved for the repurchase of up to 1,750,000 shares of our Class A Common Stock to offset Dilution. The purpose of the second authority was to purchase up to $150 million of the Company's Class A Common Stock outside of the anti-dilutive authorization.

On August 22, 2014, the Board of Directors replaced the first and second stock repurchase authorities with a combined repurchase authorization. Under this new authority, the Company is authorized to repurchase up to $300 million of the Company's Class A Common Stock to cover all stock repurchase objectives. There is no expiration date for the new repurchase authority. For fiscal year 2015, $168.2 million of shares were repurchased — $22.2 million prior to the approval of the new combined repurchase authorization effective August 22, 2014 and $146.0 million under the $300 million combined authority.

During the years indicated, the Company had the following share repurchase activity:

	Fiscal Year Ended June 30,		
	2015	2014	2013
Shares repurchased	1,438,505	797,200	838,248
Average price per share	$116.93	$116.31	$55.35
Aggregate repurchase cost (excluding broker commissions)	$168.2 million	$92.8 million	$46.6 million

Capital Commitments

Capital expenditures were $71.4 million for fiscal year 2015. Additionally, during fiscal year 2015, we spent $63.8 million for internally-developed capitalized software for external use by our clients.

Dividends

During May 2015, our board of directors approved the payment of a quarterly cash dividend in the amount of $0.15 per share which was paid in July 2015. Total dividends paid in fiscal years 2015, 2014 and 2013 were $41.8 million, $21.1 million and $48.2 million, respectively. The amounts in fiscal years 2014 and 2013 include, $1.6 million and $1.3 million, respectively, of dividends paid by our consolidated, majority-owned subsidiary, Fifth Quadrant, to its third-party shareholders.

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Off-Balance Sheet Arrangements and Contractual Obligations

Contractual Cash Obligations (in thousands)	Remaining payments by fiscal year due as of June 30, 2015				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Term loan	$200,000	$25,000	$175,000	$—	$—
Senior Credit Facility	40,000	—	40,000	—	—
Lease commitments	482,247	97,551	158,698	105,508	120,490
	$722,247	$122,551	$373,698	$105,508	$120,490

Operating Leases. We lease office space under operating lease agreements with terms typically averaging 10 years. We have determined that there is not a large concentration of leases that will expire in any one fiscal year. Consequently, management anticipates that any increase in future rent expense on leases will be mainly market driven. While the future operating lease payments presented above are not recognized on our balance sheet, we do have certain assets and liabilities related to these leases in the form of deferred rent accruals and intangible assets and liabilities. The intangible assets and liabilities were recognized for the difference between the contractual cash obligations shown above and the estimated market rates at the time of certain past acquisitions. The resulting intangibles will amortize to rent expense but do not impact the amounts shown above since there is no change to our contractual cash obligations.

Pension Contribution. The table above does not include contributions for pension plans. Contributions to our qualified pension plans for fiscal year 2016 are projected to be $75.9 million. Additionally, the Company expects to pay $48.5 million in benefits directly to participants for fiscal 2016.

Uncertain Tax Positions. The table above does not include liabilities for uncertain tax positions under ASC 740, Income Taxes. The settlement period for the $36.0 million liability, which excludes interest and penalties, cannot be reasonably estimated since it depends on the timing and possible outcomes of tax examinations with various tax authorities.

Contingent Consideration from Acquisitions. The table above does not include liabilities for contingent consideration for our EMB acquisition in fiscal year 2011. As of June 30, 2015, we still expect to pay out £2.4 million for fiscal year 2016 related to the EMB contingent consideration provisions in our agreements and subject to performance requirements on behalf of the sellers.

Indebtedness

Towers Watson Senior Credit Facility

On November 7, 2011, Towers Watson and certain subsidiaries entered into a five-year, $500 million revolving credit facility, which amount may be increased by an aggregate amount of $250 million, subject to the satisfaction of customary terms and conditions, with a syndicate of banks (the “Senior Credit Facility”).

Our Senior Credit Facility is available to the Company to meet all borrowing requirements, including but not limited to normal and seasonal working capital needs, financing of internal and external investments including acquisitions, returns of cash to shareholders and repayment of other borrowings. As of June 30, 2015, Towers Watson had $40.0 million in borrowings outstanding under the Senior Credit Facility.

Letters of Credit under the Senior Credit Facility

As of June 30, 2015, Towers Watson had standby letters of credit totaling $21.4 million associated with our captive insurance companies in the event that we fail to meet our financial obligations. Additionally, Towers Watson had $0.9 million of standby letters of credit covering various other existing or potential business obligations. The aforementioned letters of credit are issued under the Senior Credit Facility, and therefore reduce the amount that can be borrowed under the Senior Credit Facility by the outstanding amount of these standby letters of credit.

Additional Borrowings, Letters of Credit and Guarantees not part of the Senior Credit Facility

Towers Watson Consultoria Ltda. (Brazil) has a bilateral credit facility with a major bank totaling Brazilian Real BRL 5.5 million (U.S. $1.8 million). BRL 2.0 million (U.S. $0.6 million) of the credit facility is committed to an overdraft facility and as of June 30, 2015, there were no borrowings outstanding under this facility. BRL 3.8 million (U.S. $1.2 million) of the credit facility is committed to lease guarantees. As of June 30, 2015, standby guarantees totaling BRL 1.7 million (U.S. $0.5 million) were outstanding under this facility.

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Towers Watson has also provided a $5 million Australian dollar-denominated letter of credit (U.S. $3.8 million) to an Australian governmental agency as required by local regulations. The estimated fair market value of this letter of credit is immaterial because it has never been used, and we believe that the likelihood of future usage is remote.
Towers Watson also has $8.4 million committed to lease guarantees from major banks in support of office leases and performance under existing or prospective contracts.
Towers Watson had an additional $30.0 million outstanding on an uncommitted line of credit as of June 30, 2015.

Term Loan Agreement Due June 2017

On June 1, 2012, the Company entered into a five-year $250 million amortizing Term Loan with a consortium of banks. The Term Loan amortizes at a rate of $6.25 million per quarter, beginning in September 2013, with a final maturity of June 1, 2017. The Company has the right to prepay a portion or all of the outstanding Term Loan balance on any interest payment date without penalty.

Non-U.S. GAAP Measures

In order to assist readers of our financial statements in understanding the core operating results that the Company's management uses to evaluate the business and for financial planning, we present the following non-U.S. GAAP measures: (1) Constant Currency Change, (2) Organic Change, (3) Adjusted EBITDA, (4) Adjusted Diluted Earnings Per Share from continuing operations, (5) Adjusted income from continuing operations (attributable to common stockholders) and (6) Free Cash Flow. The Company believes these measures are relevant and provide useful information widely used by analysts, investors and other interested parties in our industry to provide a baseline for evaluating and comparing our operating results.
These non-U.S. GAAP measures are not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies. Non-U.S. GAAP measures should be considered in addition to, and not as a substitute for, the information contained within our financial statements.

Constant Currency Change and Organic Change

We evaluate our revenue on an as reported, constant currency and organic basis. We believe providing constant currency and organic information provides valuable supplemental information regarding our results, consistent with how we evaluate our performance internally.

- Constant Currency Change - Represents the year over year change in revenues excluding the impact of foreign currency fluctuations. To calculate this impact, the prior year local currency results are first translated using the current year monthly average exchange rates. The change is calculated by comparing the adjusted prior year revenues to the current year as reported revenues for the same period.
- Organic Change - The organic presentation excludes both the impact of fluctuations in foreign currency exchange rates as described above as well as the impact of acquisitions and divestitures.

The constant currency and organic change results, and a reconciliation from the as reported results, for consolidated revenues are presented in the financial statement overview tables presented within this Form 10-K and are also reported by segment and line of business in the Segment Analysis tables presented within this Form 10-K.

Adjusted EBITDA

We consider Adjusted EBITDA to be an important financial measure, which is used to internally evaluate and assess our core operations, to benchmark our operating results against our competitors, and to evaluate and measure our performance based compensation plans.
Since the merger (the "Towers Perrin | Watson Wyatt Merger") of Towers, Perrin, Forster & Crosby, Inc. ("Towers Perrin") and Watson Wyatt Worldwide, Inc. ("Watson Wyatt") in January 2010, we have incurred significant acquisition-related expenses related to the merger and integration activities necessary to combine Watson Wyatt and Towers Perrin. These acquisition-related expenses include transaction and integration costs, severance costs, non-cash charges for amortization of intangible assets and merger-related stock-based compensation costs from the issuance of merger-related restricted shares. Included in our transaction and integration costs are integration consultant fees and legal, accounting, marketing and information technology integration expenses. Adjusted EBITDA excludes the impact of these acquisition-related expenses and is important in illustrating what our operating results would have been had these expenses not been incurred.

Adjusted EBITDA is defined as Net income (attributable to common stockholders) adjusted for discontinued operations, net of tax, provision for income taxes, interest, net, depreciation and amortization, transaction and integration expenses, stock-based compensation, and other non-operating income excluding income from variable interest entity.

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A reconciliation of Adjusted EBITDA to Net income (attributable to common stockholders) is as follows:

	Fiscal Year Ended June 30,		
	2015	2014	2013
	(in thousands)		
NET INCOME (attributable to common stockholders)	$384,978	$359,300	$318,812
Less: Income from discontinued operations, net of tax	—	6,057	23,642
Income from continuing operations (attributable to common stockholders)	384,978	353,243	295,170
Provision for income taxes	200,062	138,249	136,991
Interest, net	5,132	6,228	10,276
Depreciation and amortization	172,287	174,818	173,040
Transaction and integration expenses	6,984	1,049	30,753
Stock-based compensation (a)	—	—	8,931
Other non-operating income (b)	(2,224)	(3,929)	(6,872)
Adjusted EBITDA	$767,219	$669,658	$648,289

(a) Stock-based compensation is included in salary and employee benefits expense and relates to Towers Watson Restricted Class A shares held by our current associates, which were awarded to them in connection with the Towers Perrin | Watson Wyatt Merger in 2010 and Extend Health stock options held by our current associates which were assumed by the Company in connection with the acquisition.

(b) Other non-operating income includes income / (loss) from affiliates and other non-operating income excluding income from variable interest entity of $6.3 million for the year ended June 30, 2014.

Adjusted diluted earnings per share and Adjusted Income from continuing operations (attributable to common stockholders)

Adjusted diluted earnings per share is another measure which excludes the impact of acquisition related expenses that is used to internally evaluate and assess our core operations and to benchmark our operating results against our competitors.

Adjusted diluted earnings per share is defined as Adjusted Income from continuing operations (attributable to common stockholders) divided by the weighted average shares of common stock, diluted.

Adjusted Income from continuing operations (attributable to common stockholders) is defined as Net income (attributable to common stockholders) adjusted for discontinued operations, net of tax, and adjusted for certain tax-effected merger and acquisition related items of transaction and integration expenses, non-cash stock-based compensation, and amortization of intangible assets. This measure is used solely for the purpose of calculating Adjusted diluted earnings per share.

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A reconciliation of Adjusted diluted earnings per share to Net income (attributable to common stockholders) is as follows:

	Fiscal Year Ended June 30,		
	2015	2014	2013
	(In thousands, except share and per share amounts)		
NET INCOME (attributable to common stockholders)	$384,978	$359,300	$318,812
Less: Income from discontinued operations, net of tax	—	6,057	23,642
Income from continuing operations (attributable to common stockholders)	384,978	353,243	295,170
Adjusted for certain acquisition related items (c):			
Amortization of intangible assets	43,285	54,354	52,387
Transaction and integration expenses including severance	4,598	758	20,933
Stock-based compensation (d)	—	—	6,079
Adjusted income from continuing operations (attributable to common stockholders)	$432,861	$408,355	$374,569
Weighted average shares of common stock — diluted (000)	70,007	70,955	71,555
Diluted earnings per share, as reported from continuing operations	$5.50	$4.98	$4.13
Adjusted for certain acquisition-related items:			
Amortization of intangible assets	0.62	0.77	0.73
Transaction and integration expenses including severance	0.07	0.01	0.29
Stock-based compensation	—	—	0.08
Adjusted diluted earnings per share from continuing operations	$6.19	$5.76	$5.23

(c) The adjustments to net income attributable to common stockholders and diluted earnings per share of certain acquisition-related items are net of tax. In calculating the net of tax amounts, all adjustments were tax effected at the applicable effective tax rate (ETR) for the period, which was 34.2% for the fiscal year ended June 30, 2015, 27.7% for the fiscal year ended June 30, 2014, and 31.9% for the fiscal year ended June 30, 2013.

(d) Stock-based compensation relates to shares of Restricted Class A common stock held by our current associates which were awarded to them as former Towers Perrin employees in connection with the Towers Perrin | Watson Wyatt Merger.

Free Cash Flow

Free Cash Flow is used to evaluate our core operating performance, and is defined as cash flows from operating activities less cash used to purchase fixed assets and software for internal use.

A reconciliation of cash flows from operating activities to Free Cash Flow is as follows:

	Year Ended June 30,		
	2015	2014	2013
	(in thousands)		
Cash flows from operating activities	$573,519	$456,091	$531,314
Less: Fixed assets and software for internal use	71,435	64,825	77,891
Free Cash Flow	$502,084	$391,266	$453,423

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. The areas that we believe are critical accounting policies include revenue recognition, valuation of billed and unbilled receivables from clients, discretionary compensation, income taxes, pension assumptions, incurred but not reported claims, and goodwill and intangible assets. The critical accounting policies discussed below involve making difficult, subjective or complex accounting estimates that could have a material effect on our financial condition and

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results of operations. These critical accounting policies require us to make assumptions about matters that are highly uncertain at the time of the estimate or assumption. Different estimates that we could have used, or changes in estimates that are reasonably likely to occur, may have a material effect on our financial condition and results of operations.

Revenue Recognition

We recognize revenue when it is earned and realized or realizable as demonstrated by persuasive evidence of an arrangement with a client, a fixed or determinable price, services have been rendered or products delivered or available for use, and collectability is reasonably assured.

The majority of our revenue consists of fees earned from providing consulting services. We recognize revenue from these consulting engagements when hours are worked, either on a time-and-expense basis or on a fixed-fee basis, depending on the terms and conditions defined at the inception of an engagement with a client. We have engagement letters with our clients that specify the terms and conditions upon which the engagements are based. These terms and conditions can only be changed upon agreement by both parties. Individual associates' billing rates are principally based on a multiple of salary and compensation costs.

Revenue for fixed-fee arrangements is based upon the proportional performance method. We typically have three types of fixed-fee arrangements: annual recurring projects, projects of a short duration, and non-recurring system projects. Annual recurring projects and the projects of short duration are typically straightforward and highly predictable in nature. As a result, the project manager and financial staff are able to identify, as the project status is reviewed and bills are prepared monthly, the occasions when cost overruns could lead to the recording of a loss accrual.

We have non-recurring system projects that are longer in duration and subject to more changes in scope as the project progresses. We evaluate at least quarterly, and more often as needed, project managers' estimates-to-complete to assure that the projects' current statuses are accounted for properly. Certain software contracts generally provide that if the client terminates a contract, we are entitled to payment for services performed through termination.

Revenue recognition for fixed-fee engagements is affected by a number of factors that change the estimated amount of work required to complete the project such as changes in scope, the staffing on the engagement and/or the level of client participation. The periodic engagement evaluations require us to make judgments and estimates regarding the overall profitability and stage of project completion that, in turn, affect how we recognize revenue. We recognize a loss on an engagement when estimated revenue to be received for that engagement is less than the total estimated costs associated with the engagement. Losses are recognized in the period in which the loss becomes probable and the amount of the loss is reasonably estimable. We have experienced certain costs in excess of estimates from time to time. Management believes it is rare, however, for these excess costs to result in overall project losses.

We have developed various software programs and technologies that we provide to clients in connection with consulting services. In most instances, such software is hosted and maintained by us and ownership of the technology and rights to the related code remain with us. We defer costs for software developed to be utilized in providing services to a client, but for which the client does not have the contractual right to take possession, during the implementation stage. We recognize these deferred costs from the go live date, signaling the end of the implementation stage, until the end of the initial term of the contract with the client. We determined that the system implementation and customized ongoing administrative services are one combined service. Revenue is recognized over the service period, after the go live date, in proportion to the services performed. As a result, we do not recognize revenue during the implementation phase of an engagement.

We deliver software under arrangements with clients that take possession of our software. The maintenance associated with the initial software fees is a fixed percentage which enables us to determine the stand-alone value of the delivered software separate from the maintenance. We recognize the initial software fees as software is delivered to the client and we recognize the maintenance ratably over the contract period based on each element's relative fair value. For software arrangements in which initial fees are received in connection with mandatory maintenance for the initial software license to remain active, we determined that the initial maintenance period is substantive. Therefore, we recognize the fees for the initial license and maintenance bundle ratably over the initial contract term, which is generally one year. Each subsequent renewal fee is recognized ratably over the contractually stated renewal period.

We collect, analyze and compile data in the form of surveys for our clients who have the option of participating in the survey. The surveys are published online via a web tool which provides simplistic functionality. We have determined that the web tool is inconsequential to the overall arrangement. We record the survey revenue when the results are delivered online and made available to our clients that have a contractual right to the data. If the data is updated more frequently than annually, we recognize the survey revenue ratably over the contractually stated period.

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Prior to the sale of our reinsurance brokerage business in November 2013 (see Note 3 for further discussion), in our capacity as a reinsurance broker, we collected premiums from our reinsurance clients and, after deducting our brokerage commissions, we remitted the premiums to the respective reinsurance underwriters on behalf of our reinsurance clients. In general, compensation for reinsurance brokerage services was earned on a commission basis. Commissions were calculated as a percentage of a reinsurance premium as stipulated in the reinsurance contracts with our clients and reinsurers. We recognized brokerage services revenue on the later of the contract's inception or billing date as fees became known or as our services were provided for premium processing. In addition, we held cash needed to settle amounts due reinsurers or our reinsurance clients, net of any commissions due to us, pending remittance to the ultimate recipient. We were permitted to invest these funds in high quality liquid instruments.

As an insurance exchange, we generate revenue from commission paid to us by insurance carriers for health insurance policies issued through our enrollment services. Under our contracts with insurance carriers, once an application has been accepted by an insurance carrier and a policy has been issued, we will receive commission payments from the policy effective date until the end of the annual policy period as long as the policy is not cancelled by the insured or the carrier. We defer upfront fees and recognize revenue ratably from the policy effective date over the policy period, generally one year. The commission fee per policy placed with a carrier could vary by whether the insured was previously a Medicare participant and whether the policy is in its first or subsequent year. Due to the uncertainty of the commission fee per policy, we do not recognize revenue until the policy is accepted by the carrier, the policy is effective and a communication is received from the carrier of the fee per insured. As the commission fee is cancellable on a pro rata basis related to the underlying insurance policy which we are not party to, we recognize the commission fee ratably over the policy period. Our carrier contracts entitle us to receive commission fees per policy for the life of the policy unless limited by legislation or cancelled by the carrier or insured. As a result, the majority of the revenue is recurring in nature and grows in direct proportion to the number of new policies added each year.

Revenue recognized in excess of billings is recorded as unbilled accounts receivable. Cash collections in excess of revenue recognized are recorded as deferred revenue until the revenue recognition criteria are met. Client reimbursable expenses, including those relating to travel, other out-of-pocket expenses and any third-party costs, are included in revenue, and an equivalent amount of reimbursable expenses are included in professional and subcontracted services as a cost of revenue.

Valuation of Billed and Unbilled Receivables from Clients

We maintain allowances for doubtful accounts to reflect estimated losses resulting from the clients' failure to pay for the services after the services have been rendered, including allowances when client disputes may exist. The related provision is recorded as a reduction to revenue. Our allowance policy is based on the aging of the billed and unbilled client receivables and has been developed based on the write-off history. Facts and circumstances such as the average length of time the receivables are past due, general market conditions, current economic trends and our clients' ability to pay may cause fluctuations in our valuation of billed and unbilled receivables.

Discretionary Compensation

Our compensation program includes a discretionary bonus that is determined by management and has historically been paid once per fiscal year in the form of cash and/or deferred stock units after our annual operating results are finalized.

An estimated annual bonus amount is initially developed at the beginning of each fiscal year in conjunction with our budgeting process. Estimated annual operating performance is reviewed quarterly and the discretionary annual bonus amount is then adjusted, if necessary, by management to reflect changes in the forecast of pre-bonus profitability for the year.

Income Taxes

We account for income taxes in accordance with Accounting Standards Codification ("ASC") 740, Income Taxes, which prescribes the use of the asset and liability approach to the recognition of deferred tax assets and liabilities related to the expected future tax consequences of events that have been recognized in our financial statements or income tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established, when necessary, to reduce deferred tax assets when it is more likely than not that a portion or all of a given deferred tax asset will not be realized. In accordance with ASC 740, income tax expense includes (i) deferred tax expense, which generally represents the net change in the deferred tax asset or liability balance during the year plus any change in valuation allowances and (ii) current tax expense, which represents the amount of tax currently payable to or receivable from a taxing authority plus amounts accrued for expected tax contingencies (including both tax and interest). ASC 740 prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those positions to be recognized in the financial statements. We continually review tax laws, regulations and related guidance in order

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to properly record any uncertain tax positions. We adjust these reserves in light of changing facts and circumstances, such as the outcome of tax audits.

Variable Interest Entities

In connection with the pooled investment fund solutions we provide, we may enter into arrangements that need to be examined to determine whether they fall under the variable interest entity (VIE) accounting guidance. Management needs to exercise significant judgment to determine if these entities are VIEs and, if so, whether such VIE relationships require the Company to consolidate these entities. This process involves management's understanding of the arrangements to determine whether the entity is considered a VIE under the accounting guidance. We use a variety of complex estimating processes that may consider both qualitative and quantitative factors, and may involve the use of assumptions (where necessary) about the business environment in which an entity operates; the VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders; the VIE's capital structure; the terms between the VIE and its variable interest holders and other parties involved with the VIE (and when necessary, to determine who is most closely associated with the VIE); identification of related-party relationships and de-facto agency relationships; which variable interest holder has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; analysis and calculation of its expected losses and its expected residual returns in determining which variable interest holder has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The quantitative processes involve estimating the expected future cash flows and performance of the entity, analyzing the variability in those cash flows, and allocating the losses and returns among the identified parties having variable interests. Where an entity is determined to be a VIE, our interests are compared to those of the other parties involved with the VIE to identify the party that is the primary beneficiary, and thus should consolidate the entity. In addition to the areas of judgment mentioned above, a significant amount of judgment is exercised in interpreting the provisions of the accounting guidance and applying them to our specific transactions. Management reassesses its initial evaluation of whether an entity is a VIE when certain reconsideration events occur. Management reassesses its determination of whether it is the primary beneficiary of a VIE on an ongoing basis based on current facts and circumstances.

Incurred But Not Reported (IBNR) Claims

We accrue for IBNR professional liability claims that are probable and estimable. We use actuarial assumptions to estimate and record a liability for IBNR professional liability claims. Our estimated IBNR liability is based on long-term trends and averages, and considers a number of factors, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, and legislation and economic decisions. Our estimated IBNR liability does not include actuarial projections for the effect of claims data for large cases due to the insufficiency of actuarial experience with such cases. Our estimated IBNR liability will fluctuate if claims experience changes over time. As of June 30, 2015, we had a $181.5 million IBNR liability, net of estimated IBNR recoverable receivables of our captive insurance companies. This net liability increased from $173.8 million as of June 30, 2014. To the extent our captive insurance companies, PCIC and SMIC, expect losses to be covered by a third party, they record a receivable for the amount expected to be recovered. This receivable is classified in other current or other noncurrent assets in our consolidated balance sheet.

Pension Assumptions

Towers Watson sponsors both qualified and non-qualified defined benefit pension plans and other post-retirement benefit plan ("OPEB") plans in North America and Europe. As of June 30, 2015, these funded and unfunded plans represented 98 percent of Towers Watson's pension and OPEB obligations and are disclosed herein. Towers Watson also sponsors funded and unfunded defined benefit pension plans in certain other countries, representing an additional $85.5 million in projected benefit obligations, $64.8 million in assets and a net liability of $20.7 million.

North America

United States – Beginning January 1, 2012, all associates, including named executive officers, accrue qualified and non-qualified benefits under a new stable value pension design. Prior to this date, associates hired prior to December 31, 2010 earned benefits under their legacy plan formulas, which were frozen on December 31, 2011. The non-qualified plan is unfunded. Retiree medical benefits provided under our U.S. postretirement benefit plans were closed to new hires effective January 1, 2011. Life insurance benefits under the same plans were frozen with respect to service, eligibility and amounts as of January 1, 2012 for active associates.

Canada – Effective on January 1, 2011, associates hired on or after January 1, 2011 and effective on January 1, 2012 associates hired prior to January 1, 2011, accrue qualified and non-qualified benefits based on a career average benefit formula. Additionally, participants can choose to make voluntary contributions to purchase enhancements to their pension. Prior to the January 1, 2011, associates earned benefits under their legacy plan formulas. Retiree life, medical

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and dental benefits provided under our Canadian postretirement benefit plans were closed to new hires effective January 1, 2011. Associates that meet the eligibility requirements as of January 1, 2016 are eligible to the postretirement benefits plan of their legacy company.

The non-qualified plans in North America provide for the additional pension benefits that would be covered under the qualified plan in the respective country were it not for statutory maximums. The non-qualified plans are unfunded.

Europe

United Kingdom – Benefit accruals earned under the legacy Watson Wyatt defined benefit plan (predominantly pension benefits) ceased on February 28, 2015, although benefits earned prior to January 1, 2008 retain a link to salary until the employee leaves Towers Watson. Benefit accruals earned under the legacy Towers Perrin defined benefit plan (predominantly lump sum benefits) were frozen on March 31, 2008. All associates now accrue defined contribution benefits.

Germany – Effective January 1, 2011, all new associates participate in a defined contribution plan. Associates hired prior to this date continue to participate in various defined contribution and defined benefit arrangements according to legacy plan formulas. The legacy defined benefit plans are primarily account-based, with some long-service associates continuing to accrue benefits according to grandfathered final-average-pay formulas.

Netherlands – Benefits under the Netherlands plan used to accrue on a final pay basis on earnings up to a maximum amount each year. The benefit accrual under the final pay plan stopped at December 31, 2010. The accrued benefits will receive conditional indexation each year.

The determination of Towers Watson's obligations and annual expense under the plans is based on a number of assumptions that, given the longevity of the plans, are long-term in focus. A change in one or a combination of these assumptions could have a material impact on Towers Watson's pension benefit obligation and related cost. Any difference between actual and assumed results is amortized into Towers Watson's pension cost over the average remaining service period of participating associates. Towers Watson considers several factors prior to the start of each fiscal year when determining the appropriate annual assumptions, including economic forecasts, relevant benchmarks, historical trends, portfolio composition and peer company comparisons.

Funding is based on actuarially determined contributions and is limited to amounts that are currently deductible for tax purposes. Since funding calculations are based on different measurements than those used for accounting purposes, pension contributions are not equal to net periodic pension cost.

The assumptions used to determine net periodic benefit cost for the fiscal years ended June 30, 2015, 2014 and 2013 were as follows:

	Fiscal Year Ended June 30,											
	2015				2014				2013			
	North America		Europe		North America		Europe		North America		Europe	
Discount rate	4.86	%	3.99	%	5.32	%	4.41	%	4.86	%	4.80	%
Expected long-term rate of return on assets	7.67	%	5.79	%	7.67	%	5.77	%	8.11	%	6.07	%
Rate of increase in compensation levels	3.98	%	3.00	%	4.36	%	3.93	%	4.35	%	3.93	%

The following table presents the assumptions used in the valuation to determine the projected benefit obligation for the fiscal years ended June 30, 2015 and 2014:

	June 30, 2015				June 30, 2014			
	North America		Europe		North America		Europe	
Discount rate	4.87	%	3.45	%	4.86	%	3.99	%
Rate of increase in compensation levels	4.01	%	3.00	%	3.98	%	3.00	%

Towers Watson's discount rate assumptions were determined by matching expected future pension benefit payments with current AA corporate bond yields from the respective countries for the same periods. In the United States, specific bonds were selected to match plan cash flows. In Canada, yields were taken from a corporate bond yield curve. In Europe, the discount rate

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was set based on yields on European AA corporate bonds at the measurement date. The U.K. is based on the yields on U.K. AA corporate bonds, while Germany and the Netherlands are based on yields on European AA corporate bonds. The expected rates of return assumptions for North America and Europe were supported by an analysis performed by Towers Watson of the weighted-average yield expected to be achieved with the anticipated makeup of investments.
The following information illustrates the sensitivity to a change in certain assumptions for the North American pension plans for fiscal year 2015:

Change in Assumption	Effect on FY 2015 Pre-Tax Pension Expense	
25 basis point decrease in discount rate	+ $9.5	million
25 basis point increase in discount rate	- $9.3	million
25 basis point decrease in expected return on assets	+ $6.9	million
25 basis point increase in expected return on assets	- $6.9	million

The following information illustrates the sensitivity to a change in certain assumptions for the European pension plans for fiscal year 2015:

Change in Assumption	Effect on FY 2015 Pre-Tax Pension Expense	
25 basis point decrease in discount rate	+ $2.1	million
25 basis point increase in discount rate	- $2.1	million
25 basis point decrease in expected return on assets	+ $2.5	million
25 basis point increase in expected return on assets	- $2.5	million

The above sensitivities reflect the impact of changing one assumption at a time. Economic factors and conditions often affect multiple assumptions simultaneously and the effects of changes in key assumptions are not necessarily linear.
The differences in the discount rate and compensation level assumption used for the North American and European plans above can be attributed to the differing interest rate environments associated with the currencies and economies to which the plans are subject. The differences in the expected return on assets are primarily driven by the respective asset allocation in each plan, coupled with the return expectations for assets in the respective currencies.
Goodwill and Intangible Assets
In applying the acquisition method of accounting for business combinations, amounts assigned to identifiable assets and liabilities acquired were based on estimated fair values as of the date of acquisition, with the remainder recorded as goodwill. Intangible assets are initially valued at fair value using generally accepted valuation methods appropriate for the type of intangible asset. Intangible assets with definite lives are amortized over their estimated useful lives and are reviewed for impairment if indicators of impairment arise. Intangible assets with indefinite lives are tested for impairment annually as of April 1, and whenever indicators of impairment exist. The fair value of the intangible assets is compared with their carrying value and an impairment loss would be recognized for the amount by which the carrying amount exceeds the fair value. Goodwill is tested for impairment annually as of April 1, and whenever indicators of impairment exist. Goodwill is tested at the reporting unit level which is one level below our operating segments. The Company had ten reporting units on April 1, 2015.
During fiscal year 2015, the Company performed a qualitative assessment for seven of our ten reporting units and our indefinite-lived intangible assets (consisting of trade names). During this assessment, we first assessed qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit or the trade names was less than its carrying amount. Qualitative factors we consider include, but are not limited to, macroeconomic conditions, industry and market conditions, company specific events, changes in circumstances, after tax cash flows and market capitalization. If the qualitative factors indicate that it is more likely than not that the fair value of a reporting unit or the trade names are less than their respective carrying amounts, we perform the two-step process to assess our goodwill for impairment. During fiscal year 2015, we assessed the qualitative factors and determined that the two-step impairment test was not required for the seven reporting units or indefinite-lived intangible assets

reviewed.

During fiscal year 2015, the Company also performed Step 1 of the two-step impairment test for three reporting units. The Company performed the Step 1 test for two of these reporting units in order to update the estimated fair value following the segment reorganization. Each of the reporting units' estimated fair values were substantially in excess of the carrying values. To

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perform the test, we used valuation techniques to estimate the fair value of a reporting unit that fall under income or market approaches. Under the discounted cash flow method, an income approach, the business enterprise value is determined by discounting to present value the terminal value which is calculated using debt-free after-tax cash flows for a finite period of years. Key estimates in this approach were internal financial projection estimates prepared by management, business risk, and expected rate of return on capital. The guideline company method, a market approach, develops valuation multiples by comparing our reporting units to similar publicly traded companies. Key estimates and selection of valuation multiples rely on the selection of similar companies, obtaining estimates of forecast revenue and EBITDA estimates for the similar companies and selection of valuation multiples as they apply to the reporting unit characteristics. Under the similar transactions method, a market approach, actual transaction prices and operating data from companies deemed reasonably similar to the reporting units is used to develop valuation multiples as an indication of how much a knowledgeable investor in the marketplace would be willing to pay for the business units.
If the Company was required to perform Step 2, we would determine the implied fair value of the reporting unit used in Step 1 to all the assets and liabilities of that reporting unit (including any recognized or unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. Then the implied fair value of goodwill would be compared to the carrying amount of goodwill to determine if goodwill is impaired. For the fiscal year ended June 30, 2015, we did not record any impairment losses of goodwill or intangibles.

Recent Accounting Pronouncements

Not yet adopted

On May 28, 2014, the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") issued their final standard on revenue from contracts with customers. The standard, issued as Accounting Standards Update ("ASU") 2014-09 by the FASB, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, and supersedes most current revenue recognition guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU applies to all contracts with customers, except those that are within the scope of other topics in the FASB Accounting Standards Codification. Compared with current U.S. GAAP, the ASU also requires significantly expanded disclosures about revenue recognition. The ASU is effective for interim and annual reporting periods that begin after December 15, 2016, and early adoption is prohibited. However, the FASB has deferred the adoption date by one year but has allowed for early adoption. An ASU has not yet been released with this position. The Company is currently evaluating the impact of adopting this provision.

On June 19, 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide a Performance Target Could Be Achieved After the Requisite Service Period. The update is intended to resolve the diverse accounting treatment of these types of awards in practice. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in "Compensation - Stock Compensation (Topic 718)" as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved, and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The ASU is effective for interim and annual reporting periods that begin after December 15, 2015. The Company does not expect the adoption of this pronouncement to have an impact on our financial statements as this guidance mirrors our existing policy for such share-based awards.

On June 12, 2015, the FASB issued ASU 2015-10, Technical Corrections and Improvements, which amends a number of topics in the FASB Accounting Standards Codification. The update is a part of an ongoing project on the FASB's agenda to facilitate Codification updates for non-substantive technical corrections, clarifications, and improvements that are not expected to have a significant effect on accounting practice or create a significant administrative cost to most entities. The ASU will apply to all reporting entities within the scope of the affected accounting guidance.

Certain amendments in the update require transition guidance and are effective for all entities for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact of adopting this provision.

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Adopted

On February 18, 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which amends the consolidation requirements in Accounting Standards Codification ("ASC") 810 and significantly changes the consolidation analysis required under U.S. GAAP. Generally, the changes were made to introduce the concepts of principal versus agency relationships and to integrate them into the existing rules. The amendments rescind the indefinite deferral of ASU 2009-17 for investment funds and will impact the determination of whether an entity is a variable interest entity; the evaluation of a service provider's fees when identifying variable interests; and the extent to which related party interests are considered in the consolidation conclusion. For public business entities, the ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is allowed for all entities (including during an interim period), but the guidance must be applied as of the beginning of the annual period containing the adoption date. The Company adopted the ASU in our fourth quarter of fiscal year 2015 and concluded that it no longer held a variable interest in most of the variable interest entities it uses to provide certain service offerings. As a result, those entities will be excluded from the disclosure in Note 13. There is no further impact to the Company's financial statements or disclosures.

On May 1, 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-07, Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). The update is intended to simplify reporting requirements and modify those investments required to be classified within the fair value hierarchy. Certain investments measured at fair value using the Net Asset Value ("NAV") practical expedient are no longer required to be classified as a level within the fair value hierarchy table. Entities will be required to include in the disclosure the fair value of the investments using NAV practical expedient so that financial statement users can reconcile amounts reporting in the fair value hierarchy table to amounts reported on the balance sheet. The ASU is effective for interim and annual reporting periods beginning after December 15, 2015 and early adoption is permitted. The ASU is to be applied retrospectively in all periods presented in an entity's financial statements. The Company is early adopting the standard as of June 30, 2015. The adoption has been reflected in Note 11 to the financial statements.

Risk Management

As a part of our risk management program, we purchase customary commercial insurance policies, including commercial general liability and claims-made professional liability insurance. Our professional liability insurance currently includes a self-insured retention of $1 million per claim, together with a self-insured retention of $10 million aggregate, above the $1 million self-insured retention, and covers professional liability claims against us, including the cost of defending such claims.

For the policy period beginning July 1, 2011 certain changes were made to our professional liability insurance program. These changes remain in-force for the annual policy periods beginning July 1, 2011 and ending July 1, 2015. Our professional liability insurance includes a self-insured retention of $1 million per claim. Towers Watson also retains a $10 million aggregate self-insured retention above the $1 million self-insured retention per claim, including the cost of defending such claims. SMIC provides us with $40 million of coverage per claim and in the aggregate, above these retentions, including the cost of defending such claims. SMIC secured $25 million of reinsurance from unaffiliated reinsurance companies in excess of the $15 million SMIC retained layer. Excess insurance attaching above the SMIC coverage is provided by various unaffiliated commercial insurance companies. Because of the $1 million self-insured retention per claim and the additional $10 million aggregate self-insured retention above, and because SMIC is wholly-owned by us, our primary errors and omissions risk is borne by Towers Watson and the subsidiary SMIC. We reserve for contingent liabilities based on ASC 450, Contingencies, when it is determined that a liability, inclusive of defense costs, is probable and reasonably estimable. The contingent liabilities recorded are primarily developed actuarially.

Before the Towers Perrin | Watson Wyatt Merger, Watson Wyatt and Towers Perrin each obtained substantial professional liability insurance from an affiliated captive insurance company, PCIC. A limit of $50 million per claim and in the aggregate was provided by PCIC subject to a $1 million per claim self-insured retention. PCIC secured reinsurance of $25 million attaching above the $25 million PCIC retained layer. In addition, both legacy companies carried excess insurance from unaffiliated commercial insurance companies above the self-insured retention and the coverage provided by PCIC.

Our ownership interest in PCIC is 72.86%. As a consequence, PCIC's results of operations are consolidated into our results of operations. PCIC ceased issuing insurance policies effective July 1, 2010 and at that time entered into a run-off mode of operation. Our shareholder agreements with PCIC could require additional payments to PCIC if development of claims significantly exceeds prior expectations.

We provide for the self-insured retention where specific estimated losses and loss expenses for known claims are considered probable and reasonably estimable. Although we maintain professional liability insurance coverage, this insurance does not cover claims made after expiration of our current policies of insurance. Generally accepted accounting principles require that
we record a liability for incurred but not reported ("IBNR") professional liability claims if they are probable and reasonably estimable, and for which we have not yet contracted for insurance coverage. We use actuarial assumptions to estimate and record our IBNR liability. As of June 30, 2015, we had a $181.5 million IBNR liability, net of estimated IBNR recoverable receivables of our captive insurance companies. This net liability increased from $173.8 million as of June 30, 2014. To the extent our captive insurance companies, PCIC and SMIC, expect losses to be covered by a third party, they record a receivable for the amount expected to be recovered. This receivable is classified in other current or other noncurrent assets in our consolidated balance sheet.

Insurance market conditions for us and our industry have varied in recent years, but the long-term trend has been increasing premium cost. Although the market for professional liability insurance is presently reasonably accessible, trends toward higher self-insured retentions, constraints on aggregate excess coverage for this class of professional liability risk and financial difficulties which have, over the past few years, been faced by several longstanding E&O carriers, are anticipated to recur periodically, and to be reflected in our future annual insurance renewals. As a result, we will continue to assess our ability to secure future insurance coverage, and we cannot assure that such coverage will continue to be available in the event of adverse claims experience, adverse loss trends, market capacity constraints or other factors.

In light of increasing litigation worldwide, including litigation against professionals, we have a policy that all client relationships be documented by engagement letters containing specific risk mitigation clauses that were not included in all historical client agreements. Certain contractual provisions designed to mitigate risk may not be legally enforceable in litigation involving breaches of fiduciary duty or certain other alleged errors or omissions, or in certain jurisdictions. We may incur significant legal expenses in defending against litigation.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks in the ordinary course of business. These risks include interest rate risk, foreign currency exchange and translation risk.

Interest Rate Risk

We are primarily exposed to changes in short-term interest rates globally with respect to the return on our cash and short-term investments, and in the United States with respect to our cost of borrowing under our term loan and revolving credit facility.

Because of our desire for flexibility with respect to our investment balances, and our primary objective of preservation of principal, we primarily invest our portfolios in short-term securities that are recorded on the balance sheet at fair value.

We monitor our cost of borrowing under our various facilities, taking into account the seasonal nature of our funding requirements, and our expectation for short-term rates in the future.

We have material pension obligations that are impacted by interest rates. In recent years, the declining interest rate environment has resulted in lower discount rates, one of the main assumptions used in valuing a pension plan. As discount rates are
determined by corporate bond yields, significant changes in the bond market can adversely affect our discount rate, which in turn increases our pension liabilities.

Foreign Currency Risk

For the fiscal year ended June 30, 2015, 44% of our revenue was denominated in currencies other than the U.S. dollar, typically in the local currency of our foreign operations. These operations also incur most of their expenses in the local currency. Accordingly, our foreign operations use the local currency as their functional currency and our primary international operations use the British pound sterling, Canadian dollar and the Euro. Our international operations are subject to risks typical of international operations, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Accordingly, our future results could be adversely impacted by changes in these or other factors. At June 30, 2015, a uniform 10% strengthening in the value of the U.S. dollar relative to the currencies in which our transactions are denominated would result in a decrease in net income attributable to controlling interests of $18.4 million, or 5%, for the fiscal year ended June 30, 2015. This theoretical calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar. This calculation is not indicative of our actual experience in foreign currency transactions.

Translation Exposure

Foreign exchange rate fluctuations may adversely impact our consolidated financial position as well as our consolidated results of operations and may adversely impact our financial position as the assets and liabilities of our foreign operations are translated into U.S. dollars in preparing our consolidated balance sheet. Additionally, foreign exchange rate fluctuations may adversely impact our consolidated results of operations as exchange rate fluctuations on transactions denominated in currencies other than our functional currencies result in gains and losses that are reflected in our consolidated statement of operations. Certain of Towers Watson’s foreign subsidiaries, primarily in the United Kingdom, receive revenue in currencies that differ from their functional currencies. To reduce this variability, Towers Watson uses foreign exchange forward contracts and has the ability to use over-the-counter options to hedge the foreign exchange risk of the forecast collections. See Note 8, “Derivative Financial Instruments” in the notes to the consolidated financial statements contained in this Form 10-K for a further discussion of our foreign currency forwards and their fair market value.

We consolidate our international subsidiaries by converting them into U.S. dollars in accordance with generally acceptable accounting principles of foreign currency translation. The results of operations and our financial position will fluctuate when there is a change in foreign currency exchange rates.

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Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Towers Watson & Co.
Arlington, Virginia

We have audited the accompanying consolidated balance sheets of Towers Watson & Co. and subsidiaries (the "Company") as of June 30, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Towers Watson & Co. and subsidiaries at June 30, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 30, 2015, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 14, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia
August 14, 2015

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TOWERS WATSON & CO.
Consolidated Statements of Operations
(Thousands of U.S. dollars, except share and per share data)

	Fiscal Year Ended June 30,		
	2015	2014	2013
Revenue	$3,644,953	$3,481,912	$3,432,515
Costs of providing services:			
Salaries and employee benefits	2,159,057	2,106,431	2,085,188
Professional and subcontracted services	268,277	249,775	267,715
Occupancy	137,841	137,883	139,942
General and administrative expenses	311,906	317,448	303,472
Depreciation and amortization	172,287	174,818	173,040
Transaction and integration expenses	6,984	1,049	30,753
	3,056,352	2,987,404	3,000,110
Income from operations	588,601	494,508	432,405
Income / (loss) from affiliates	33	—	(56)
Interest income	3,943	2,803	2,400
Interest expense	(9,075)	(9,031)	(12,676)
Other non-operating income	2,191	10,226	6,928
Income before income taxes	585,693	498,506	429,001
Provision for income taxes	200,062	138,249	136,991
INCOME FROM CONTINUING OPERATIONS	385,631	360,257	292,010
Income from discontinued operations, net of income tax of $0, $39,202, $15,561, respectively	—	6,057	23,642
NET INCOME BEFORE NON-CONTROLLING INTERESTS	385,631	366,314	315,652
Income / (loss) attributable to non-controlling interests	653	7,014	(3,160)
NET INCOME (attributable to common stockholders)	$384,978	$359,300	$318,812
Basic earnings per share (attributable to common stockholders):			
Net income from continuing operations	$5.52	$5.00	$4.15
Net income from discontinued operations	—	0.09	0.33
Net income - basic	$5.52	$5.09	$4.48
Diluted earnings per share (attributable to common stockholders):			
Net income from continuing operations	$5.50	$4.98	$4.13
Net income from discontinued operations	—	0.08	0.33
Net income - diluted	$5.50	$5.06	$4.46
Weighted average shares of common stock, basic (000)	69,766	70,587	71,150
Weighted average shares of common stock, diluted (000)	70,007	70,955	71,555

See accompanying notes to the consolidated financial statements

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TOWERS WATSON & CO.
Consolidated Statements of Comprehensive Income
(In thousands of U.S. dollars)

	Fiscal Year Ended June 30,		
	2015	2014	2013
Net income before non-controlling interests	$385,631	$366,314	$315,652
Other comprehensive income / (loss), net of tax:			
Foreign currency translation	(227,803)	132,648	(57,036)
Defined pension and post-retirement benefit costs	(159,029)	(23,355)	107,223
Hedge effectiveness	894	(67)	(122)
Available-for-sale securities	149	(183)	(81)
Other comprehensive (loss) / income before non-controlling interests	(385,789)	109,043	49,984
Comprehensive (loss) / income before non-controlling interests	(158)	475,357	365,636
Comprehensive income / (loss) attributable to non-controlling interest	1,460	6,295	(4,457)
Comprehensive (loss) / income attributable to controlling interests	$(1,618)	$469,062	$370,093

See accompanying notes to the consolidated financial statements

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TOWERS WATSON & CO.
Consolidated Balance Sheets
(Thousands of U.S. dollars, except share data)

	June 30, 2015	2014
Assets		
Cash and cash equivalents	$715,151	$727,849
Fiduciary assets	38,075	12,010
Short-term investments	127,156	122,761
Receivables from clients:		
Billed, net of allowances of $7,665 and $8,075	479,536	507,213
Unbilled, at estimated net realizable value	320,827	314,020
	800,363	821,233
Other current assets	155,487	124,645
Total current assets	1,836,232	1,808,498
Fixed assets, net	390,681	374,444
Deferred income taxes	62,772	79,103
Goodwill	2,278,351	2,313,058
Intangible assets, net	654,087	657,293
Other assets	172,051	395,390
Total Assets	$5,394,174	$5,627,786
Liabilities		
Accounts payable, accrued liabilities and deferred income	$424,403	$404,760
Employee-related liabilities	581,115	518,532
Fiduciary liabilities	38,075	12,010
Term loan - current	25,000	25,000
Other current liabilities	62,281	74,297
Total current liabilities	1,130,874	1,034,599
Revolving credit facility	40,000	—
Term loan	175,000	200,000
Accrued retirement benefits and other employee-related liabilities	648,655	768,024
Professional liability claims reserve	235,856	225,959
Other noncurrent liabilities	216,277	288,255
Total Liabilities	2,446,662	2,516,837
Commitments and contingencies		
Stockholders' Equity		
Class A Common Stock — $0.01 par value: 300,000,000 shares authorized; 74,552,661 issued and 69,281,754 and 70,338,891 outstanding	746	746
Additional paid-in capital	1,870,745	1,849,119
Treasury stock, at cost — 5,270,907 and 4,213,770 shares	(429,286)	(286,182)
Retained earnings	2,066,104	1,722,927
Accumulated other comprehensive loss	(576,298)	(189,702)
Total Stockholders' Equity	2,932,011	3,096,908
Non-controlling interest	15,501	14,041
Total Equity	2,947,512	3,110,949
Total Liabilities and Total Equity	$5,394,174	$5,627,786

See accompanying notes to the consolidated financial statements

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TOWERS WATSON & CO.
Consolidated Statements of Cash Flows
(Thousands of U.S. dollars)

	Fiscal Year Ended June 30, 2015	2014	2013
Cash flows from operating activities:			
Net income before non-controlling interests	$385,631	$366,314	$315,652
Adjustments to reconcile net income to net cash from operating activities:			
Provision for doubtful receivables from clients	20,584	4,429	8,351
Depreciation	106,546	99,606	96,811
Amortization of intangible assets	65,741	75,932	78,910
Gain on sale of discontinued operations, pretax	—	(23,950)	—
Provision for deferred income taxes	70,452	58,220	62,510
Stock-based compensation	36,129	22,517	28,906
Other, net	3,876	(3,704)	(3,249)
Changes in operating assets and liabilities (net of business acquisitions)			
Receivables from clients	(42,534)	17,528	40,079
Fiduciary assets	(25,323)	113,317	23,177
Other current assets	(3,483)	14,722	(16,710)
Other noncurrent assets	10,617	(9,175)	10,507
Accounts payable, accrued liabilities and deferred income	14,655	16,000	31,144
Employee-related liabilities	111,611	(46,766)	33,642
Fiduciary liabilities	25,323	(113,317)	(23,177)
Accrued retirement benefits and other employee-related liabilities	(114,387)	(139,922)	(141,895)
Professional liability claims reserves	16,393	(27,967)	(13,575)
Other current liabilities	14,560	4,838	(1,800)
Other noncurrent liabilities	(36,764)	(26,095)	(2,649)
Income tax related accounts	(86,108)	53,564	4,680
Cash flows from operating activities	573,519	456,091	531,314
Cash flows used in investing activities:			
Cash paid for business acquisitions	(210,774)	(211,894)	(5,678)
Cash transferred with discontinued operations	—	(25,066)	—
Proceeds from discontinued operations	—	259,677	7,371
Cash acquired from business acquisitions	3,759	17,763	636
Fixed assets and software for internal use	(71,435)	(64,825)	(77,891)
Capitalized software costs	(63,791)	(55,996)	(50,081)
Purchases of investments of consolidated variable interest entity	—	(109,510)	—
Purchases of held-to-maturity investments	(288,957)	(142,971)	—
Redemptions of held-to-maturity investments	261,122	37,161	—
Purchases of available-for-sale securities	(14,978)	(30,143)	(61,251)
Sales and redemptions of available-for-sale securities	23,079	57,742	49,128
Cash flows used in investing activities	(361,975)	(268,062)	(137,766)
Cash flows used in financing activities:			
Borrowings under credit facility	493,000	220,600	422,600
Repayments under credit facility	(423,000)	(220,600)	(630,600)
Repayments of notes payable	(25,000)	(25,000)	—
Earn-out payments	(3,526)	(3,652)	(3,556)
Cash received from consolidated variable interest entity	—	109,510	—
Contingent retention liability	—	21,746	—

Cash paid on retention liability	(10,338)	(1,939)	—
Dividends paid	(41,801)	(21,058)	(48,153)
Repurchases of common stock	(168,242)	(92,823)	(46,618)
Payroll tax payments on vested shares	(16,161)	(11,822)	(25,010)
Excess tax benefits	4,540	9,794	4,657
Cash flows used in financing activities	(190,528)	(15,244)	(326,680)
Effect of exchange rates on cash	(33,714)	22,259	(12,242)
(Decrease) / increase in cash and cash equivalents	(12,698)	195,044	54,626
Cash and cash equivalents at beginning of period	727,849	532,805	478,179
Cash and cash equivalents at end of period	$715,151	$727,849	$532,805
Supplemental disclosures:			
Cash paid for interest	$3,577	$3,677	$7,461
Cash paid for income taxes, net of refunds	$194,383	$62,898	$81,958
Common stock issued upon the vesting of our restricted stock units	$21,108	$29,194	$9,513
Transfers into consolidated investment funds	$—	$223,212	$—
Deconsolidation of investment funds (see Note 12)	$—	$339,019	$—

See accompanying notes to the consolidated financial statements

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TOWERS WATSON & CO.
Consolidated Statements of Changes in Stockholders' Equity
(In Thousands of U.S. dollars and Number of Shares in Thousands)

	Class A Common Stock Outstanding	Class A Common Stock	Class B Common Stock Outstanding	Class B Common Stock	Additional Paid-in Capital	Treasury Stock, at Cost	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total
Balance as of June 30, 2012	63,522	$635	11,036	$110	$1,833,799	$(168,901)	$1,117,622	$(350,745)	$24,797	$2,457,317
Net income/(loss)	—	—	—	—	—	—	318,812	—	(3,160)	315,652
Other comprehensive income/(loss)								51,281	(1,297)	49,984
Repurchases of common stock	—	—	—	—	—	(46,618)	—	—	—	(46,618)
Shares received for employee taxes upon conversion of Restricted A shares	(2)	—	—	—	—	(25,010)	—	—	—	(25,010)
Exercises of stock options	—	—	—	—	(8,240)	9,373	—	—	—	1,133
Vesting of restricted stock units	(3)	—	—	—	(8,674)	9,513	—	—	—	839
Class A Common Stock: Cash dividends declared ($0.46 per share)	—	—	—	—	—	—	(42,027)	—	—	(42,027)
Excess tax benefits	—	—	—	—	4,657	—	—	—	—	4,657
Stock-based compensation	—	—	—	—	28,906	—	—	—	—	28,906
Conversion of Class B-3 shares to Class A shares	5,661	57	(5,662)	(56)	—	—	—	—	—	1
Balance as of June 30, 2013	69,178	$692	5,374	$54	$1,850,448	$(221,643)	$1,394,407	$(299,464)	$20,340	$2,744,834
Net Income	—	—	—	—	—	—	359,300	—	7,014	366,314
Other comprehensive income/(loss)	—	—	—	—	—	—	—	109,762	(719)	109,043
Repurchases of common stock	—	—	—	—	—	(92,823)	—	—	—	(92,823)
	—	—	—	—	—	(7,612)	—	—	—	(7,612)

Shares received for employee taxes upon conversion of restricted stock units										
Exercises of stock options	—	—	—	—	(6,018)	6,702	—	—	—	684
Vesting of restricted stock units	—	—	—	—	(35,377)	29,194	—	—	—	(6,183)
Acquisitions	—	—	—	—	6,718	—	—	—	(6,297)	421
Redeemable non-controlling interest from consolidated variable interest entity	—	—	—	—	—	—	—	—	332,722	332,722
Deconsolidation of redeemable non-controlling interest from variable interest entity	—	—	—	—	—	—	—	—	(339,019)	(339,019)
Class A Common Stock: Cash dividends declared ($0.42 per share)	—	—	—	—	—	—	(30,780)	—	—	(30,780)
Excess tax benefits	—	—	—	—	9,794	—	—	—	—	9,794
Stock-based compensation	—	—	—	—	23,554	—	—	—	—	23,554
Conversion of Class B-4 shares to Class A shares	5,374	54	(5,374)	(54)	—	—	—	—	—	—
Balance as of June 30, 2014	74,552	$746	—	$—	$1,849,119	$(286,182)	$1,722,927	$(189,702)	$14,041	$3,110,949

(Continued)

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	Class A Common Stock Outstanding	Class A Common Stock	Class B Common Stock Outstanding	Class B Common Stock	Additional Paid-in Capital	Treasury Stock, at Cost	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total
Net income	—	—	—	—	—	—	384,978	—	653	385,631
Other comprehensive income/(loss)	—	—	—	—	—	—	—	(386,596)	807	(385,789)
Repurchases of common stock	—	—	—	—	—	(168,242)	—	—	—	(168,242)
Shares received for employee taxes upon conversion of restricted stock units	—	—	—	—	—	(11,493)	—	—	—	(11,493)
Exercises of stock options	—	—	—	—	(9,475)	15,523	—	—	—	6,048
Vesting of restricted stock units	—	—	—	—	(8,753)	21,108	—	—	—	12,355
Class A Common Stock:										
Cash dividends declared ($0.60 per share)	—	—	—	—	—	—	(41,801)	—	—	(41,801)
Excess tax benefits	—	—	—	—	4,540	—	—	—	—	4,540
Stock-based compensation	—	—	—	—	35,314	—	—	—	—	35,314
Balance as of June 30, 2015	74,552	$746	—	$—	$1,870,745	$(429,286)	$2,066,104	$(576,298)	$15,501	$2,947,512

See accompanying notes to the consolidated financial statements

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TOWERS WATSON & CO.
Notes to the Consolidated Financial Statements
(Tabular amounts in thousands except per share data)
Note 1 — Nature of the Business and Mergers
Nature of the Business
Towers Watson & Co. (referred herein as "Towers Watson", the "Company" or "we") is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. We offer solutions in the areas of employee benefits, talent management, rewards, risk and capital management and healthcare exchanges for both retirees and active employees. Our fiscal year ends on June 30th.
Mergers
Towers Watson was formed on January 1, 2010, from the merger (the "Towers Perrin | Watson Wyatt Merger") of Towers, Perrin, Forster & Crosby, Inc. ("Towers Perrin") and Watson Wyatt Worldwide, Inc. ("Watson Wyatt"), two leading professional services firms that traced their roots back more than 100 years.
On June 30, 2015, Willis Group Holdings ("Willis") and Towers Watson announced the signing of a definitive merger agreement under which the companies will combine in an all-stock merger of equals transaction. Based on the closing price of Willis and Towers Watson common stock on June 29, 2015, the implied equity value of the transaction is approximately $18 billion. At the effective time of the merger ("Towers Watson | Willis Merger"), each share of Class A common stock, par value $0.01 per share, of Towers Watson (the "TW Common Stock") issued and outstanding immediately prior to the Towers Watson | Willis Merger (other than shares held by Towers Watson, Willis, or Merger Sub and dissenting shares) will be converted into the right to receive 2.6490 validly issued, fully paid and nonassessable ordinary shares of Willis. In addition, Towers Watson intends to declare and pay a pre-Towers Watson | Willis Merger special dividend in an amount equal to $4.87 per share of TW Common Stock, payable to holders of record of TW Common Stock prior to the closing date. We are in the process of evaluating our options to fund the special dividend through a bank loan. The transaction is expected to close by December 31, 2015, subject to customary closing conditions, including regulatory approvals, and approval by both Willis shareholders and Towers Watson stockholders.
Note 2 — Summary of Significant Accounting Policies
Principles of Consolidation — Our consolidated financial statements include our accounts and those of our majority-owned and controlled subsidiaries after elimination of intercompany accounts and transactions. Investments in affiliated companies over which we have the ability to exercise significant influence are accounted for using the equity method.
We determine whether we have a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity ("VIE").
Variable interest entities are entities that lack one or more of the characteristics of a voting interest entity and therefore require a different approach in determining which party involved with the VIE should consolidate the entity. With a VIE, either the entity does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties or the equity holders, as a group, do not have the power to direct the activities that most significantly impact its financial performance, the obligation to absorb expected losses of the entity, or the right to receive the expected residual returns of the entity. The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and is required to consolidate the VIE.
Voting interest entities are entities that have sufficient equity and provide equity investors voting rights that give them the power to make significant decisions relating to the entity's operations. The usual condition for a controlling financial interest in a voting interest entity is ownership of a majority voting interest. Accordingly, we consolidate our voting interest entity investments in which we hold, directly or indirectly, more than 50% of the voting rights.
Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the

use of estimates inherent in the financial reporting process, actual results could differ from those estimates. Estimates are used when accounting for revenue recognition, allowances for billed and unbilled receivables from clients, discretionary compensation, income taxes, pension and post-retirement assumptions, incurred but not reported claims, legal reserves and goodwill and intangible assets.

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Cash and Cash Equivalents — We consider all instruments that are readily convertible to known amounts of cash and with original maturities of 90 days or less (calculated from the trade date to maturity date) to be cash equivalents. We consider Term deposits and certificates of deposits with original maturities 90 days or less to be cash equivalents. Term deposits and certificates of deposits with original maturities greater than 90 days are considered to be short-term investments.

Fiduciary assets and liabilities — Certain of our health and welfare benefits administration outsourcing agreements require us to hold funds on behalf of clients to pay obligations on their behalf. These amounts are included in fiduciary assets and fiduciary liabilities on the consolidated balance sheets.

Investments — Our investments are classified at the time of purchase as either available-for-sale or held-to-maturity, and reassessed as of each balance sheet date. Held-to-maturity securities are recorded at amortized cost. The carrying value of our held-to-maturity securities approximates fair value, due to the short-term nature of our investments of less than 12 months. Held-to-maturity securities are classified as short-term investments. Available-for-sale securities are marked-to-market based on prices provided by our investment advisors. Available-for-sale securities are classified as either short-term or long-term based on management's intention of when to sell the securities or maturity date, if applicable.

Receivables from Clients — Billed receivables from clients are presented at their billed amount less an allowance for doubtful accounts. Billed receivables also include amounts due to us for commissions on premiums currently due from our clients to the reinsurers but uncollected by us as of the balance sheet date. Unbilled receivables are stated at net realizable value less an allowance for unbillable amounts. Allowance for doubtful accounts related to billed receivables was $7.7 million and $8.1 million as of June 30, 2015 and 2014, respectively. Allowance for unbilled receivables was $8.5 million and $9.1 million as of June 30, 2015 and 2014, respectively.

Revenue Recognition — We recognize revenue when it is earned and realized or realizable as demonstrated by persuasive evidence of an arrangement with a client, a fixed or determinable price, services have been rendered or products delivered or available for use, and collectability is reasonably assured.

The majority of our revenue consists of fees earned from providing consulting services. We recognize revenue from these consulting engagements when hours are worked, either on a time-and-expense basis or on a fixed-fee basis, depending on the terms and conditions defined at the inception of an engagement with a client. We have engagement letters with our clients that specify the terms and conditions upon which the engagements are based. These terms and conditions can only be changed upon agreement by both parties. Individual associates' billing rates are principally based on a multiple of salary and compensation costs.

Revenue for fixed-fee arrangements is based upon the proportional performance method. We typically have three types of fixed-fee arrangements: annual recurring projects, projects of a short duration, and non-recurring system projects. Annual recurring projects and the projects of short duration are typically straightforward and highly predictable in nature. As a result, the project manager and financial staff are able to identify, as the project status is reviewed and bills are prepared monthly, the occasions when cost overruns could lead to the recording of a loss accrual.

We have non-recurring system projects that are longer in duration and subject to more changes in scope as the project progresses. We evaluate at least quarterly, and more often as needed, project managers' estimates-to-complete to assure that the projects' current statuses are accounted for properly. Certain software contracts generally provide that if the client terminates a contract, we are entitled to payment for services performed through termination.

Revenue recognition for fixed-fee engagements is affected by a number of factors that change the estimated amount of work required to complete the project such as changes in scope, the staffing on the engagement and/or the level of client participation. The periodic engagement evaluations require us to make judgments and estimates regarding the overall profitability and stage of project completion that, in turn, affect how we recognize revenue. We recognize a loss on an engagement when estimated revenue to be received for that engagement is less than the total estimated costs associated with the engagement. Losses are recognized in the period in which the loss becomes probable and the amount of the loss is reasonably estimable. We have experienced certain costs in excess of estimates from time to time. Management believes it is rare, however, for these excess costs to result in overall project losses.

We have developed various software programs and technologies that we provide to clients in connection with consulting services. In most instances, such software is hosted and maintained by us and ownership of the technology and rights to the related code remain with us. We defer costs for software developed to be utilized in providing services to a client, but for which the client does not have the contractual right to take possession, during the implementation stage. We recognize these deferred costs from the go live date, signaling the end of the implementation stage, until the end of the initial term of the contract with the client. We determined that the system implementation and customized ongoing administrative services are one combined service. Revenue is recognized over the service period, after the go live date, in proportion to the services performed. As a result, we do not recognize revenue during the implementation phase of an engagement.

We deliver software under arrangements with clients that take possession of our software. The maintenance associated with the initial software fees is a fixed percentage which enables us to determine the stand-alone value of the delivered software separate from the maintenance. We recognize the initial software fees as software is delivered to the client and we recognize the maintenance ratably over the contract period based on each element's relative fair value. For software arrangements in which initial fees are received in connection with mandatory maintenance for the initial software license to remain active, we determined that the initial maintenance period is substantive. Therefore, we recognize the fees for the initial license and maintenance bundle ratably over the initial contract term, which is generally one year. Each subsequent renewal fee is recognized ratably over the contractually stated renewal period.

We collect, analyze and compile data in the form of surveys for our clients who have the option of participating in the survey. The surveys are published online via a web tool which provides simplistic functionality. We have determined that the web tool is inconsequential to the overall arrangement. We record the survey revenue when the results are delivered online and made available to our clients that have a contractual right to the data, including the ability to download and manipulate the data. If the data is updated more frequently than annually, we recognize the survey revenue ratably over the contractually stated period.

Prior to the sale of our reinsurance brokerage business in November, 2013 (see Note 3 for further discussion), in our capacity as a reinsurance broker, we collected premiums from our reinsurance clients and, after deducting our brokerage commissions, we remitted the premiums to the respective reinsurance underwriters on behalf of our reinsurance clients. In general, compensation for reinsurance brokerage services was earned on a commission basis. Commissions were calculated as a percentage of a reinsurance premium as stipulated in the reinsurance contracts with our clients and reinsurers. We recognized brokerage services revenue on the later of the contract's inception or billing date as fees became known or as our services were provided for premium processing. In addition, we held cash needed to settle amounts due reinsurers or our reinsurance clients, net of any commissions due to us, pending remittance to the ultimate recipient. We were permitted to invest these funds in high quality liquid instruments.

As an insurance exchange, we generate revenue from commission paid to us by insurance carriers for health insurance policies issued through our enrollment services. Under our contracts with insurance carriers, once an application has been accepted by an insurance carrier and a policy has been issued, we will receive commission payments from the policy effective date until the end of the annual policy period as long as the policy is not cancelled by the insured or the carrier. We defer upfront fees and recognize revenue ratably from the policy effective date over the policy period, generally one year. The commission fee per policy placed with a carrier could vary by whether the insured was previously a Medicare participant and whether the policy is in its first or subsequent year. Due to the uncertainty of the commission fee per policy, we do not recognize revenue until the policy is accepted by the carrier, the policy is effective and a communication is received from the carrier of the fee per insured. As the commission fee is cancellable on a pro rata basis related to the underlying insurance policy which we are not party to, we recognize the commission fee ratably over the policy period. Our carrier contracts entitle us to receive commission fees per policy for the life of the policy unless limited by legislation or cancelled by the carrier or insured. As a result, the majority of the revenue is recurring in nature and grows in direct proportion to the number of new policies added each year.

Revenue recognized in excess of billings is recorded as unbilled accounts receivable. Cash collections in excess of revenue recognized are recorded as deferred revenue until the revenue recognition criteria are met. Client reimbursable expenses, including those relating to travel, other out-of-pocket expenses and any third-party costs, are included in revenue, and an equivalent amount of reimbursable expenses are included in professional and subcontracted services as a cost of revenue.

Income Taxes — We account for income taxes in accordance with Accounting Standards Codification ("ASC") 740, Income Taxes, which prescribes the use of the asset and liability approach to the recognition of deferred tax assets and liabilities related to the expected future tax consequences of events that have been recognized in our financial statements or income tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established, when necessary, to reduce deferred tax assets when it is more likely than not that a portion or all of a given deferred tax asset will not be realized. In accordance with ASC 740, income tax expense includes (i) deferred tax expense, which generally represents the net change in the deferred tax asset or liability balance during the year plus any change in valuation allowances and (ii) current tax expense, which represents the amount of tax currently payable to or receivable from a taxing authority plus amounts accrued for expected tax contingencies (including both tax penalties and interest). ASC 740-10 prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those positions to be recognized in the financial statements. We continually review tax laws, regulations and related guidance in order to properly record any uncertain tax liability positions. We adjust these reserves in light of changing facts and circumstances, such as the outcome of tax audits.

Foreign Currency — Gains and losses on foreign currency transactions, including settlement of intercompany receivables and payables, are recognized currently in the general and administrative expenses line of our consolidated statements of operations. Foreign currency transactions resulted in losses of $0.4 million, $7.0 million and $0.8 million in fiscal years 2015, 2014 and 2013, respectively. Assets and liabilities of our subsidiaries outside the United States are translated into the reporting currency, the U.S. dollar, based on exchange rates at the balance sheet date. Revenue and expenses of our subsidiaries outside the United States are translated into U.S. dollars at weighted average exchange rates. Gains and losses on translation of our equity interests in our subsidiaries outside the United States and on intercompany notes are reported separately as accumulated other comprehensive income within stockholders' equity in the consolidated balance sheets, since we do not plan or anticipate settlement of such balances in the foreseeable future.

Fair Value of Financial Instruments — The carrying amount of our cash and cash equivalents, receivables from clients, notes and accounts payable approximates fair value because of the short maturity and liquidity of those instruments. The investments are available-for-sale securities held at estimated fair value with maturities of less than two years. The term loan and revolving credit facility include variable interest rates that approximate market rates and as such, we consider its carrying amount to approximate fair value. The fair value of our term loan and revolving credit facility are considered level 2 financial instruments as they are corroborated by observable market data. Refer to Note 12 for the significant terms of these agreements.

Fair Value Measurement — Financial assets and liabilities recorded in the accompanying consolidated balance sheets are categorized based on the inputs in the valuation techniques as follows:

Level 1 — Financial assets and liabilities whose values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 — Financial assets and liabilities whose values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 — Financial assets and liabilities whose values are based on unobservable inputs for the asset or liability.

In accordance with Subtopic 820-10, Fair Value Measurement and Disclosures, certain investments that are measured at fair value using the net asset value per share practical expedient are not required to be categorized in the fair value hierarchy based on the levels above.

Derivatives — All derivative instruments are recognized in the accompanying consolidated balance sheets at fair value. Derivative instruments with a positive fair value are reported in other current assets and derivative instruments with a negative fair value are reported in other current liabilities in the accompanying consolidated balance sheet. Changes in the fair value of derivative instruments are recognized immediately in general and administrative expenses, unless the derivative is designated as a hedge and qualifies for hedge accounting.

There are three hedging relationships where a derivative (hedging instrument) may qualify for hedge accounting: (1) a hedge of the change in fair value of a recognized asset or liability or firm commitment (fair value hedge), (2) a hedge of the variability in cash flows from forecast transactions (cash flow hedge), and (3) a hedge of the variability caused by changes in foreign currency exchange rates (foreign currency hedge). Under hedge accounting, recognition of derivative gains and losses can be matched in the same period with that of the hedged exposure and thereby minimize earnings volatility. If the underlying risk is recognized in the balance sheet and offsetting the gain / losses in the derivative, we consider the derivative transaction to be an "economic hedge" and changes in the fair value of the derivative are recognized immediately in general and administrative expenses. At June 30, 2015, we had entered into foreign currency cash flow hedges and economic hedges.

In order for a derivative to qualify for hedge accounting, the derivative must be formally designated as a fair value, cash flow, or a foreign currency hedge by documenting the relationship between the derivative and the hedged item. Additionally, the hedge relationship must be expected to be highly effective at offsetting changes in either the fair value or cash flows of the hedged item at both inception of the hedge and on an ongoing basis. We assess the ongoing effectiveness of our hedges and measure and record hedge ineffectiveness, if any, at the end of each quarter.

For a cash flow hedge, the effective portion of the change in fair value of a hedging instrument is recognized in other comprehensive income, as a component of shareholders' equity, and subsequently reclassified to general and administrative expenses. The ineffective portion of a cash flow hedge is recognized immediately in general and administrative expenses.

We discontinue hedge accounting prospectively when (1) the derivative expires or is sold, terminated, or exercised, (2) we determine that the hedging transaction is no longer highly effective, (3) a hedged forecast transaction is no longer probable of

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occurring in the time period described in the hedge documentation, (4) the hedged item matures or is sold, or (5) management elects to discontinue hedge accounting voluntarily.

When hedge accounting is discontinued because the derivative no longer qualifies as a cash flow hedge we continue to carry the derivative in the accompanying consolidated balance sheet at its fair value, recognize subsequent changes in the fair value of the derivative in current-period general and administrative expenses, and continue to defer the derivative gain or loss in other comprehensive income or loss until the hedged forecast transaction affects expenses. If the hedged forecast transaction is not likely to occur in the time period described in the hedge documentation or within a two month period of time thereafter, the deferred derivative gain or loss is reclassified immediately to general and administrative expenses.

Concentration of Credit Risk — Financial instruments that potentially subject us to concentrations of credit risk consist principally of certain cash and cash equivalents, fixed income securities, and receivables from clients. We invest our excess cash in financial instruments that are primarily rated in the highest short-term rating category by major rating agencies. Concentrations of credit risk with respect to receivables from clients are limited due to our large number of clients and their dispersion across many industries and geographic regions.

Incurred But Not Reported (IBNR) Claims — We accrue for IBNR professional liability claims that are probable and estimable. We use actuarial assumptions to estimate and record a liability for IBNR professional liability claims. Our estimated IBNR liability is based on long-term trends and averages, and considers a number of factors, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, and legislation and economic decisions, but excludes the effect of claims data for large cases due to the insufficiency of actual experience with such cases. Our estimated IBNR liability will fluctuate if claims experience changes over time. As of June 30, 2015 we had a $181.5 million IBNR liability, net of estimated IBNR recoverable receivables of our captive insurance companies. This net liability increased from $173.8 million as of June 30, 2014. To the extent our captive insurance companies, PCIC and SMIC, expect losses to be covered by a third party, they record a receivable for the amount expected to be recovered. This receivable is classified in other current or other noncurrent assets in our consolidated balance sheet.

Stock-based Compensation — We compensate our directors, executive officers and other select associates with incentive stock-based compensation plans. When granted, awards are governed by the Towers Watson & Co. 2009 Long Term Incentive Plan, which provides for the awards to be valued at their grant date fair value. We record non-cash stock-based compensation on a graded vesting methodology over the expected term of the awards, generally three years. Graded vesting expense methodology assumes that the equity awards are issued to participants in equal amounts of shares that vest over one year, two years and three years giving the effect of more expense in the first year than the second and third. Our equity awards are settled in Towers Watson Class A common stock. During fiscal years 2015, 2014 and 2013, we recognized compensation expense of $36.1 million, $23.6 million and $28.9 million, and associated income tax benefit of $11.5 million, $6.2 million and $10.0 million, respectively, in connection with our stock-based compensation plans.

Earnings per Share (“EPS”) — To the extent that we have participating securities outstanding, we present EPS using the two-class method which discloses the portion of net income attributable to controlling interests and basic and diluted shares that are available for common stockholders separate from participating security holders. Our Restricted Class A shares issued in the Towers Perrin | Watson Wyatt Merger were classified as participating securities because of their voting and dividend rights. These non-vested restricted shares were fully vested as of January 1, 2013 and converted to Towers Watson Class A common stock.

Goodwill and Intangible Assets — In applying the acquisition method of accounting for business combinations, amounts assigned to identifiable assets and liabilities acquired were based on estimated fair values as of the date of acquisition, with the remainder recorded as goodwill. Intangible assets are initially valued at fair value using generally accepted valuation methods appropriate for the type of intangible asset. Intangible assets with definite lives are amortized over their estimated useful lives and are reviewed for impairment if indicators of impairment arise. Intangible assets with indefinite lives are tested for impairment annually as of April 1, and whenever indicators of impairment exist. The fair value of the intangible assets is compared with their carrying value and an impairment loss would be recognized for the amount by which the carrying amount exceeds the fair value. Goodwill is tested for impairment annually as of April 1, and whenever indicators of impairment exist. Goodwill is tested at the reporting unit level which is one level below our operating segments. The Company had ten reporting units on April 1, 2015.

During fiscal year 2015, the Company performed a qualitative assessment for seven of our ten reporting units and our indefinite-lived intangible assets (consisting of trade names). During this assessment, we first assessed qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit or the trade names was less than its carrying amount. Qualitative factors we considered included, but are not limited to, macroeconomic conditions, industry and market conditions, company specific events, changes in circumstances, after tax cash flows and market capitalization. If the qualitative factors indicated that it is more likely than not that the fair value of a reporting unit or the trade names are less than their respective carrying amounts, we performed the two-step process to assess our goodwill for impairment. During fiscal year 2015, we assessed the qualitative factors and determined that the two-step impairment test was not required for the seven reporting units or indefinite-lived intangible assets reviewed.

During fiscal year 2015, the Company also performed Step 1 of the two-step impairment test for three reporting units. The Company performed the Step 1 test for two of these reporting units in order to update the estimated fair value following the segment reorganization. The segment reorganization was effective on July 1, 2014. See Note 18 for additional information regarding the segment reorganization.

Each of the reporting units' estimated fair values were substantially in excess of the carrying values. To perform the test, we used valuation techniques to estimate the fair value of a reporting unit that fall under income or market approaches. Under the discounted cash flow method, an income approach, the business enterprise value is determined by discounting to present value the terminal value which is calculated using debt-free after-tax cash flows for a finite period of years. Key estimates in this approach were internal financial projection estimates prepared by management, business risk, and expected rate of return on capital. The guideline company method, a market approach, develops valuation multiples by comparing our reporting units to similar publicly traded companies. Key estimates and selection of valuation multiples rely on the selection of similar companies, obtaining estimates of forecast revenue and EBITDA estimates for the similar companies and selection of valuation multiples as they apply to the reporting unit characteristics. Under the similar transactions method, a market approach, actual transaction prices and operating data from companies deemed reasonably similar to the reporting units is used to develop valuation multiples as an indication of how much a knowledgeable investor in the marketplace would be willing to pay for the business units.

If the Company was required to perform Step 2, we would determine the implied fair value of the reporting unit used in Step 1 to all the assets and liabilities of that reporting unit (including any recognized or unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. Then the implied fair value of goodwill would be compared to the carrying amount of goodwill to determine if goodwill is impaired. For the fiscal year ended June 30, 2015, we did not record any impairment losses of goodwill or intangibles.

Recent Accounting Pronouncements

Not yet adopted

On May 28, 2014, the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") issued their final standard on revenue from contracts with customers. The standard, issued as Accounting Standards Update ("ASU") 2014-09 by the FASB, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, and supersedes most current revenue recognition guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU applies to all contracts with customers, except those that are within the scope of other topics in the FASB Accounting Standards Codification. Compared with current U.S. GAAP, the ASU also requires significantly expanded disclosures about revenue recognition. The ASU is effective for interim and annual reporting periods that begin after December 15, 2016, and early adoption is prohibited. However, the FASB has deferred the adoption date by one year but has allowed for early adoption. An ASU has not yet been released with this position. The Company is currently evaluating the impact of adopting this provision.

On June 19, 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide a Performance Target Could Be Achieved After the Requisite Service Period. The update is intended to resolve the diverse accounting treatment of these types of awards in practice. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in "Compensation - Stock Compensation (Topic 718)" as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved, and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The ASU is effective for interim and annual reporting periods that begin after December 15, 2015. The Company does not expect the adoption of this pronouncement to have an impact on our financial statements as this guidance mirrors our existing policy for such share-based awards.

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On June 12, 2015, the FASB issued ASU 2015-10, Technical Corrections and Improvements, which amends a number of topics in the FASB Accounting Standards Codification. The update is a part of an ongoing project on the FASB's agenda to facilitate Codification updates for non-substantive technical corrections, clarifications, and improvements that are not expected to have a significant effect on accounting practice or create a significant administrative cost to most entities. The ASU will apply to all reporting entities within the scope of the affected accounting guidance. Certain amendments in the update require transition guidance and are effective for all entities for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact of adopting this provision.

Adopted

On February 18, 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which amends the consolidation requirements in Accounting Standards Codification ("ASC") 810 and significantly changes the consolidation analysis required under U.S. GAAP. Generally, the changes were made to introduce the concepts of principal versus agency relationships and to integrate them into the existing rules. The amendments rescind the indefinite deferral of ASU 2009-17 for investment funds and will impact the determination of whether an entity is a variable interest entity; the evaluation of a service provider's fees when identifying variable interests; and the extent to which related party interests are considered in the consolidation conclusion. For public business entities, the ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is allowed for all entities (including during an interim period), but the guidance must be applied as of the beginning of the annual period containing the adoption date. The Company adopted the ASU under the modified retrospective approach in our fourth quarter of fiscal year 2015 and concluded that it no longer held a variable interest in most of the variable interest entities to which it provides certain service offerings. As a result, those entities will be excluded from the disclosure in Note 13. There is no further impact to the Company’s financial statements or disclosures.

On May 1, 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-07, Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). The update is intended to simplify reporting requirements and modify those investments required to be classified within the fair value hierarchy. Certain investments measured at fair value using the Net Asset Value ("NAV") practical expedient are no longer required to be categorized within a level within the fair value hierarchy table. Entities will be required to include in the disclosure the fair value of the investments using NAV practical expedient so that financial statement users can reconcile amounts reporting in the fair value hierarchy table to amounts reported on the balance sheet. The ASU is effective for interim and annual reporting periods beginning after December 15, 2015 and early adoption is permitted. The ASU is to be applied retrospectively in all periods presented in an entity's financial statements. The Company is early adopting the standard as of June 30, 2015. The adoption has been reflected in Note 11 to the financial statements.

Note 3 — Acquisitions and Divestitures

Our acquisitions and divestitures in fiscal years 2015, 2014 and 2013 were not material for the purposes of financial statement disclosures as required by Accounting Standards Codification (“ASC”) 805. Our acquisition and divestiture information is included to provide our investors with a better understanding of our strategic acquisitions.

Acquisitions

Acclaris Acquisition

On May 11, 2015, Towers Watson acquired Acclaris Holdings, Inc. ("Acclaris") for $140.0 million in cash. Headquartered in Tampa, FL, and with locations in Kansas and India, Acclaris offers flexible products that include integrated technology and services to support consumer-directed benefits on a single platform in a scalable way. Its core business focuses on health care and reimbursement accounts which include health reimbursement arrangements (HRAs), health savings accounts (HSAs), flexible spending accounts, commuter accounts and custom reimbursement accounts. Acclaris will be integrated into our Exchange Solutions Segment and join the Other line of business as the Consumer-Directed Accounts practice. Together, Towers Watson and Acclaris will enable clients of any size to offer benefits in new and cost-effective ways.

During the fourth quarter of fiscal year 2015, we recorded the tangible assets received, liabilities assumed, and the preliminary fair value of intangibles. The intangibles included developed technology, valued at $14.5 million, and a customer related intangible, valued at $12.3 million. Our estimate of fair value for the developed technology intangible and the customer related intangible was based on the relief from royalty method and the multi-period excess earnings method, respectively. Significant assumptions used in the valuation were estimated revenues and expenses, contributory asset charges, required rates of return, and discount rates. We also recorded a net deferred tax liability of $2.8 million. It was determined that total consideration was $141 million, and we recorded $112.3 million of goodwill related to the acquisition of Acclaris.

Saville Consulting Acquisition
On April 23, 2015, Towers Watson acquired Saville Consulting Group Limited. ("Saville") for £42.0 million ($64.5 million) in cash. Saville is a U.K. and Jersey-based global psychometric assessment business. Its principal activities include helping employers to improve the match between people, work and organizations through the development and sale of objective psychometric assessment tools and related user training and consultancy services. Saville will be aligned with our Data, Surveys and Technology line of business within our Talent and Rewards segment.
During the fourth quarter of fiscal 2015, we recorded the tangible assets received, liabilities assumed, and the preliminary fair value of intangibles. The intangibles included a product intangible, valued at £25.8 million, and other intangibles that were collectively immaterial. Our estimate of fair value for the product intangible was based on the relief from royalty method. Significant assumptions used in the valuation were estimated revenues and expenses, contributory asset charges, required rates of return, and discount rates. It was determined that total consideration was £42.7 million, and we recorded £5.1 million of goodwill related to the acquisition of Saville.
Liazon Corporation Acquisition
On November 22, 2013, Towers Watson purchased Liazon Corporation (“Liazon”), a business focused on developing and delivering private benefit exchanges for active employees, for $204.3 million in cash and assumed equity awards valued at $8.0 million. See Note 16 for further information on the assumed equity awards. The Liazon business initially became a new line of business, which complements our other offerings under the Exchange Solutions segment, and is currently part of the Active Exchanges practice after the segment reorganization which became effective July 1, 2014. Together these solutions help organizations, both large and small, deliver self- and fully-insured benefits to both employees as well as pre- and post-65 retirees. We included the results of Liazon's operations since the acquisition date in both the Exchange Solutions segment and in our consolidated financial statements.
We have recorded the tangible assets received, liabilities assumed, and the fair value of intangibles for Liazon. The intangibles included developed technology, valued at $34.3 million, and other intangibles that were collectively immaterial. Our estimate of fair value for the technology intangible was developed using the multi-period excess earnings method valuation model. Significant assumptions used in the valuation were estimated revenues and expenses, contributory asset charges, required rates of return, and discount rates. It was determined that total consideration was $212.3 million. We recorded $173.2 million of goodwill and a net deferred tax asset of $9.1 million related to the acquisition of Liazon, inclusive of a $1.0 million purchase price adjustment.
Divestitures
Sale of our Brokerage business.
On September 19, 2013, we entered into a definitive agreement to sell our Reinsurance and Property and Casualty Insurance Brokerage (“Brokerage”) business to Jardine Lloyd Thompson Group plc (“JLT”) for cash consideration of $250 million. The Brokerage business was a component of our Risk and Financial Services segment. The sale closed during our second quarter of fiscal year 2014. We divested this business as part of our strategy to focus on other areas of the business. We continue to focus on risk consulting, software and other services for the insurance industry. The business was branded for a transitional period of 10 months from the closing date as JLT Towers Re, but currently operates as JLT Re.
As part of the transaction, we entered into an Alliance Agreement with JLT that will ensure clients have continued access to our risk consulting and software services. This agreement will also provide JLT Re with continued use of Towers Watson’s proprietary actuarial models and software.
The Company assessed the guidance under ASC 205 to determine if the Alliance Agreement or any other terms of the sale agreement constituted significant continuing direct cash flows or significant continuing involvement with the Brokerage business after the sale. The Company compared the cash flows expected to be recognized from the Brokerage business as a result of the continuation or migration of activities after the disposal transaction to the projected generation of cash flows by the Brokerage business that we could have expected absent the disposal transaction. Based on this analysis, the expected annual cash inflows or outflows related to the portion of revenues shared or commissions received or paid and software sales under the Alliance Agreement were each expected to represent approximately 1% or less of the annual revenues generated by our Brokerage business operations prior to the

disposal. This was deemed not significant. Actual results have been within the original expectations and continue to be not significant.

The Company also calculated the expected cash flows associated with the placement of its insurance and reinsurance arrangements. The Company agreed to use JLT as its broker-of-record for all insurance and reinsurance transactions to which the Company's wholly-owned captive insurance company, SMIC, is a party through November 2018. These amounts were previously eliminated as intercompany transactions, and were $2.8 million for fiscal year 2014. Additionally, the Company agreed to a Transitional Services Agreement with JLT for a two-year period ending November 5, 2015. The Company expects to incur approximately $6.3 million each year in occupancy or other infrastructure costs, which were prepaid as part of deal consideration or will be repaid by JLT over the two year period. The cash flows associated with these arrangements represented approximately 7.4% of the annual expenses generated by our Brokerage operations prior to the disposal, which was deemed not significant.

The Company noted that none of the aforementioned agreements or arrangements constituted significant continuing involvement because they do not afford the Company the ability to influence the financial or operating decisions of JLT. Accordingly, we concluded that the continuing cash flows expected after the sale of our Brokerage business did not preclude discontinued operations presentation, and the Company therefore classified the results of our Brokerage business's operations as discontinued operations for all periods presented in our consolidated statements of operations. There was no revenue or income from discontinued operations in the current fiscal year. The following selected financial information relates to the Brokerage business's operations for the fiscal years ended June 30, 2014 and 2013, respectively:

	Fiscal Year Ended June 30,	
	2014	2013
Revenue from discontinued operations	$63,762	$164,270
Income from discontinued operations before taxes	21,308	$39,203
Tax expense on discontinued operations	7,522	$15,561
Net income from discontinued operations	13,786	23,642
Gain from sale of discontinued operations	23,951	—
Tax expense on gain from sale of discontinued operations	31,680	—
Net loss from sale of discontinued operations	(7,729)	—
Total net income from discontinued operations	$6,057	$23,642

Only the fiduciary assets and liabilities associated with the European businesses were sold. North American fiduciary assets and liabilities were not disposed of during the sale due to certain legal restrictions which do not permit the transfer of these assets and liabilities. The subsequent settlement of the North American fiduciary assets and liabilities is presented within the operating section of our accompanying statement of cash flows for the year ended June 30, 2014.

In addition to the stated $250 million cash consideration stipulated in the sale agreement, a purchase price adjustment of $31.4 million was paid to the Company by JLT representing the value of net assets transferred in the sale.

As part of the sale, the Company agreed to repay JLT for retention payments made to certain employees of Brokerage if they remain with the business on the 30-day anniversary of the sale and the first and second anniversary of the sale. The value ascribed to this portion of the obligation is $21.7 million at the time of the sale. The remaining liability at June 30, 2015 and 2014 was carried at fair value on the accompanying consolidated balance sheets (see Note 7 – Fair Value Measurements). The total amount has been classified as current or non-current liabilities based on the expected payment dates.

The obligation for retention payments and certain other negotiated terms reduced total consideration received at the transaction closing to $215.1 million. Total transaction costs were approximately $6.4 million. We finalized the completion accounts and the purchase price adjustments during the third quarter of fiscal year 2014. Our final pre-tax gain on the sale was $24.0 million. The sale of our Brokerage business resulted in a significant taxable gain, since the disposal of the goodwill and intangible assets associated with the business was not tax-deductible.

Note 4 — Investments

Held-to-maturity - Our held-to-maturity investments are comprised of term deposits, certificates of deposit, and certain bonds with original maturities greater than 90 days. As of June 30, 2015 and 2014, all held-to-maturity securities were included in short-term investments in the accompanying consolidated balance sheet. Proceeds from maturities of held-to-maturity securities during the fiscal years ended June 30, 2015 and June 30, 2014 were $261.1

million and $37.2 million, respectively resulting in immaterial gains.
Available-for-sale - Our available-for-sale securities are comprised of equity securities and mutual funds / exchange-traded funds. Proceeds from sales and maturities of investments of available-for-sale securities during the fiscal year ended June 30, 2015 were $23.1 million, resulting in a loss of $0.3 million. Proceeds from sales and maturities of investments of available-for-sale securities during the fiscal year ended June 30, 2014 were $57.7 million, resulting in a gain of $1.0 million. Of these

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proceeds, $1.6 million related to the sale of investments as part of the divestiture of the Brokerage business. Proceeds from sales and maturities of investments of available-for-sale securities during the fiscal years ended June 30, 2013 were $47.6 million, resulting in a gain $0.1 million.

Additional information on the Company's investments is provided in the following table as of June 30, 2015 and 2014:

	As of June 30, 2015				As of June 30, 2014			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Short Term Investments:								
Held-to-maturity:								
Term deposits & Certificates of deposit	$70,346	$—	$—	$70,346	$107,556	$—	$—	$107,556
Fixed income securities	51,685	—	—	51,685	—	—	—	—
Available-for-sale:								
Equity securities	102	11	(10)	103	126	7	(3)	130
Mutual funds and exchange-traded funds	5,033	5	(16)	5,022	15,033	42	—	15,075
Total Short-term Investments:	127,166	16	(26)	127,156	122,715	49	(3)	122,761
Other Investments:								
Available-for-sale:								
Mutual funds and exchange-traded funds	43,711	6	(147)	43,570	42,147	451	—	42,598
Total other Investments in Other Assets	$43,711	$6	$(147)	$43,570	$42,147	$451	$—	$42,598

For all investments other than fixed income securities, amortized cost represents the cost basis of the investment as of the purchase date. For fixed income securities, amortized cost represents the face value of the bond plus the unamortized portion of the bond premium as of the date presented. There were no material investments that have been in a continuous loss position for more than twelve months, and there have been no other-than-temporary impairments recognized. The aggregate fair value of investments with unrealized losses for the fiscal year ended June 30, 2015 was $24.4 million. The aggregate fair value of investments with unrealized losses for the fiscal year ended June 30, 2014 was immaterial.

Note 5 — Fixed Assets

Furniture, fixtures, equipment and leasehold improvements are recorded at cost and presented net of depreciation or amortization. Furniture, fixtures, and equipment are depreciated straight-line over lives ranging from three to seven years. Internally developed software is amortized over the estimated useful life of the asset ranging from three to ten years. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease terms or the asset lives.

The components of fixed assets are as follows:

	June 30,	
	2015	2014
Furniture, fixtures and equipment	$203,906	$205,598
Computer software, excluding internally developed software	226,457	192,206
Internally developed software	212,529	165,695
Leasehold improvements	197,435	207,126
	840,327	770,625
Less: accumulated depreciation and amortization	(449,646)	(396,181)
Fixed assets, net	$390,681	$374,444

Total computer software, net, including internally developed software, was $237.2 million and $210.7 million as of June 30, 2015 and 2014, respectively. Total amortization expense for computer software was $53.9 million, $44.7 million and $40.5 million for fiscal years 2015, 2014 and 2013, respectively. Total depreciation expense was $52.7 million, $54.9 million and $56.3 million for fiscal years 2015, 2014 and 2013, respectively.

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Note 6 — Goodwill and Intangible Assets

The components of goodwill and intangible assets are outlined below for the fiscal years ended June 30, 2015 and 2014:

	Benefits	Exchange Solutions	Risk and Financial Services	Talent and Rewards	All Other	Total
Balance as of June 30, 2013	$1,233,272	$341,449	$534,150	$108,850	$1,214	$2,218,935
Goodwill acquired	—	174,195	—	—	—	174,195
Goodwill related to disposals	—	—	(167,822)	—	—	(167,822)
Translation adjustment	57,517	—	25,221	5,012	—	87,750
Balance as of June 30, 2014	$1,290,789	$515,644	$391,549	$113,862	$1,214	$2,313,058
Goodwill acquired	—	112,337	—	8,077	—	120,414
Goodwill related to disposals	—	—	(593)	—	—	(593)
Goodwill reallocated in segment restructuring	(92,327)	54,052	12,311	25,964		—
Translation adjustment	(109,958)	—	(32,993)	(11,577)	—	(154,528)
Balance as of June 30, 2015	$1,088,504	$682,033	$370,274	$136,326	$1,214	$2,278,351

Goodwill acquired during the fiscal year ended June 30, 2015 in the Talent and Rewards and Exchange Solutions segments totaled $8.1 million and $112.3 million, respectively. The goodwill relates to the acquisitions of Saville and Acclaris. See Note 3 for additional information regarding these transactions.

Included in the goodwill reallocated in segment restructuring is a $54.1 million reclassification of goodwill related to the segment reorganization between Benefits and Exchange Solutions, which was effective on July 1, 2014 and $38.3 million of residual allocation to the remaining segments. See Note 18 for additional information regarding the segment reorganization.

Included in the Exchange Solutions goodwill acquired is $173.2 million of goodwill, inclusive of a $1.0 million purchase price adjustment, related to the acquisition of Liazon, which closed on November 22, 2013. We recorded the consideration less the tangible assets and liabilities as goodwill during the fiscal year ended June 30, 2014. See Note 3 for additional information regarding this acquisition.

Included in the Risk and Financial Services activity is a $167.8 million reduction in goodwill related to the disposal of our Brokerage business, which was completed on November 6, 2013. See Note 3 for additional information regarding the sale of the business.

The following table reflects changes in the net carrying amount of the components of finite-lived intangible assets for the fiscal years ended June 30, 2015 and 2014:

	Trademark & trade name	Customer related intangible	Core/ developed technology	Product	Favorable agreements	Total
Balance as of June 30, 2013	$—	$246,247	$69,515	$—	$3,565	$319,327
Intangible assets acquired	150	600	34,300	—	—	35,050
Intangible assets related to disposal	—	(8,254)	—	—	—	(8,254)
Amortization	(150)	(46,907)	(28,875)	—	(947)	(76,879)
Translation adjustment	—	7,169	887	—	(1)	8,055
Balance as of June 30, 2014	—	198,855	75,827	—	2,617	277,299
Intangible assets acquired	—	21,884	15,286	40,537	4,556	82,263
Intangible assets related to disposal	—	—	—	—	—	—
Amortization	—	(42,649)	(22,628)	(353)	(1,027)	(66,657)
Translation adjustment	—	(9,771)	(470)	—	(55)	(10,296)
Balance as of June 30, 2015	$—	$168,319	$68,015	$40,184	$6,091	$282,609

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For the fiscal years ended June 30, 2015, 2014 and 2013, we recorded $65.7 million, $75.9 million and $78.9 million, respectively, of amortization related to our intangible assets, exclusive of the amortization of our favorable lease agreements. These amounts include amortization that has been classified within income from discontinued operations on the accompanying consolidated statements of operations.
Included in the change in customer related intangible assets is the reduction of $8.3 million associated with the sale of our Brokerage business, which closed on November 6, 2013.
Due to integration of our Retirement business, management decided to discontinue the use of an application that was acquired in the Towers Perrin | Watson Wyatt Merger with an expected useful life of ten years. We calculated no impairment, and we shortened the life of the intangible asset and accelerated the amortization in the same pattern in which our clients were transitioned to the surviving application. To develop our estimated useful remaining life of the application, we used client engagement revenue and the planned transition developed by our business management. We recorded an additional $2.1 million and $5.6 million of amortization for the fiscal years ended June 30, 2014 and June 30, 2013, respectively.
Our indefinite-lived non-amortizable intangible assets consist of acquired trademarks and trade names. The carrying value of these assets was $371.5 million and $380.0 million as of June 30, 2015 and June 30, 2014, respectively. The change during the period was due to foreign currency translation adjustment.
We estimated the fair value of acquired leases and recorded an unfavorable lease liability in accordance with ASC 805. As of June 30, 2015 and June 30, 2014, this liability was $7.3 million and $10.2 million, respectively. The change for the fiscal year ended June 30, 2015 was comprised of a reduction to rent expense of $2.9 million and an immaterial foreign currency translation adjustment.
Components of the change in the gross carrying amount of customer related intangibles, core/developed technology and favorable and unfavorable lease agreements reflect foreign currency translation adjustments for fiscal years 2015 and 2014. Certain of the intangible assets and liabilities are denominated in the currencies of our subsidiaries outside the United States, and are translated into our reporting currency, the U.S. dollar, based on exchange rates at the balance sheet date.
The following table reflects the weighted average remaining life and carrying value of finite-lived intangible assets and liabilities as of June 30, 2015 and 2014:

	Fiscal Year 2015			Fiscal Year 2014		
	Gross Carrying Amount	Accumulated Amortization	Weighted Average Remaining Life	Gross Carrying Amount	Accumulated Amortization	Weighted Average Remaining Life
Finite-lived intangible assets and liabilities:						
Trademark and trade name	$150	$ 150	—	$520	$ 520	—
Customer related intangibles	388,113	219,794	5.8	391,201	192,346	5.6
Core/developed technology	174,480	106,465	4.0	175,948	100,121	4.1
Product	40,537	353	18.8	—	—	0.0
Favorable agreements	10,866	4,775	7.8	6,488	3,871	3.6
Total finite-lived intangible assets	$614,146	$ 331,537		$574,157	$ 296,858	
Unfavorable lease agreements	21,793	14,512	3.2	24,818	14,588	3.9
Total finite-lived intangible liabilities	$21,793	$ 14,512		$24,818	$ 14,588	

Certain trademark and trade-name intangibles have indefinite useful lives and are not amortized. The weighted average remaining life of the net amortizable intangible assets and liabilities was 7.2 years and 5.1 years, respectively at June 30, 2015 and June 30, 2014.
The following table reflects:

1) future estimated amortization expense for amortizable intangible assets consisting of customer related intangibles and core/developed technology, and product.
2) The rent offset resulting from the amortization of the net lease intangible assets and liabilities:

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Fiscal year ending June 30,	Amortization	Rent Offset
2016	$63,585	$(1,603)
2017	55,126	(1,871)
2018	46,998	(1,981)
2019	39,943	(315)
2020	23,655	101
Thereafter	51,657	32
Total	$280,964	$(5,637)

Note 7 — Fair Value Measurements

We have categorized our financial instruments into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). In some cases, the inputs used to measure fair value might fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Refer to Note 2 for a description of each fair value measurement category.

The following presents our assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 and 2014:

	Fair Value Measurements on a Recurring Basis at June 30, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities:				
Equity securities	$102	$—	$—	$102
Mutual funds / exchange-traded funds	$48,592	$—	$—	$48,592
Derivatives:				
Foreign exchange forwards (a)	$—	$2,177	$—	$2,177
Liabilities:				
Derivatives:				
Foreign exchange forwards (a)	$—	$272	$—	$272
Contingent Liabilities				
Retention bonus liability (b)	$—	$—	$9,934	$9,934

	Fair Value Measurements on a Recurring Basis at June 30, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities:				
Equity securities	$130	$—	$—	$130
Mutual funds / exchange-traded funds	$57,673	$—	$—	$57,673
Derivatives:				
Foreign exchange forwards (a)	$—	$639	$—	$639
Liabilities:				
Derivatives:				
Foreign exchange forwards (a)	$—	$550	$—	$550
Contingent Liabilities				
Retention bonus liability (b)	$—	$—	$19,998	$19,998

(a) These derivative investments are included in other current assets or accounts payable, accrued liabilities and deferred income on the consolidated balance sheet. See Note 8 for further information on our derivative investments.

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(b) These liabilities are included in other current liabilities and other noncurrent liabilities on the consolidated balance sheet. The fair value was determined using a discounted cash flow model.

We record gains or losses related to the changes in the fair value of our financial instruments for foreign exchange forward contracts accounted for as foreign currency hedges in general and administrative expenses in the consolidated statements of operations. We recorded immaterial losses for the fiscal years ended June 30, 2015 and 2014, respectively, related to the changes in the fair value of these foreign exchange forward contracts which were still held as of June 30, 2015 and 2014. No material gain or loss was recorded in the consolidated statements of operations for available-for-sale securities still held as of June 30, 2015 and 2014.

We generally use third-party pricing services in determining the fair value of our investments. The pricing services use observable inputs when available. These values take into account recent market activity as well as other market observable data such as interest rate, spread and prepayment information. We perform various procedures to evaluate the accuracy of the fair values provided by the third-party service provider. These procedures include obtaining a detailed understanding of the models, inputs, and assumptions used in developing prices provided by the pricing services. This understanding includes a review of the vendors' Service Organization Controls report and, as necessary, discussions with valuation resources at the pricing services. We obtain the information necessary to assert the model, inputs and assumptions used to comply with U.S. GAAP, including disclosure requirements. In addition, our investment committee periodically reviews the investment portfolios and the performance of our investments against expectations.

We independently review the listing of Level 1 financial assets in the portfolio, including U.S. Treasury securities, equity securities and mutual funds securities, and agree the price received from the third-party pricing service to the closing stock price from a national securities exchange, and on a sample basis.

We also independently review our Level 2 and Level 3 financial assets and liabilities, which include derivative investments, corporate bonds and certain obligations of government agencies or states, municipalities and political subdivisions, pooled funds and mutual funds, limited partnerships and insurance contracts. Corporate bonds and certain obligations of government agencies or states, municipalities and political subdivisions are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Derivative investments are valued using a quoted value from the counterparty for each contract. The quoted price we receive is a Level 2 valuation based on observable quotes in the marketplace for the underlying currency. We use these underlying values to estimate amounts that would be paid or received to terminate the contracts at the reporting date based on current market prices for the underlying currency. See Note 11 for a description of the valuation methodologies used for Level 2 and Level 3 plan assets and liabilities by category.

We perform additional procedures to validate and confirm the accuracy of the Level 2 prices provided by the pricing service. Stale prices and significant price movements are monitored and investigated. If the price changes significantly, the fluctuation is reviewed for reasonableness based on our expectations or other market factors and adjusted if deemed necessary by management.

If we determine that a price provided to us is outside our expectation, we will further examine the price, including having follow-up discussions with the pricing service. If we conclude that a price is not valid, we will adjust the price with the appropriate documentation and approvals by management. These adjustments do not occur frequently and have not historically been material.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. No other-than-temporary impairments occurred during the fiscal year ended June 30, 2015.

Transfers in and out of Level 1 and 2

There were no securities transferred between Level 1 and Level 2 for the fiscal years ended June 30, 2015, 2014 and 2013. The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

Level 3 Financial Instruments

The fair value of the retention bonus liability is determined using a discounted cash flows model. The significant unobservable inputs used in the discounted cash flows model are a credit adjusted interest rate of 1.6% and an assumed forfeiture rate of 7.0%. Changes in each of these unobservable inputs would have adjusted the fair value as follows:

- Interest rate - The lowest and highest interest rates that we could have used to value the bonus retention liability are 0.5% to 10.0%, which would have resulted in values of $10.0 million and $9.2 million, respectively.

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- Forfeiture rates - Changing the assumed forfeiture rate to either 5.0% or 10.0% would have resulted in values of $10.1 million and $9.6 million, respectively.

The following table summarizes the change in fair value of the Level 3 liabilities for fiscal years ended June 30, 2014 and 2015:

Fair Value Measurements using significant unobservable inputs (Level 3)	
Balance as of - June 30, 2013	$—
Obligation assumed	(21,746)
Payments	1,939
Unrealized gains / (losses)	(191)
Balance as of - June 30, 2014	$(19,998)
Payments	10,338
Unrealized gains / (losses)	(274)
Balance as of - June 30, 2015	$(9,934)

Note 8 — Derivative Financial Instruments

We are exposed to market risk from changes in foreign currency exchange rates. Where possible, we identify exposures in our business that can be offset internally. Where no natural offset is identified, we may choose to enter into various derivative transactions. These instruments have the effect of reducing our exposure to unfavorable changes in foreign currency rates. We do not enter into derivative transactions for trading purposes.

Derivative transactions are governed by our established set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. We also evaluate new and existing transactions and agreements to determine if they require derivative accounting treatment. Positions are monitored using fair market value and sensitivity analyses. See Note 2 for further information on the accounting policy for derivatives. The Company reviewed the Dodd–Frank Wall Street Reform and Consumer Protection Act: Title VII, Derivatives and has elected and is in compliance with the end-user exemption.

Certain derivatives also give rise to credit risks from the possible non-performance by counterparties. The credit risk is generally limited to the fair value of those contracts that are favorable to us. We have established strict counterparty credit guidelines and enter into transactions only with financial institutions with securities of investment grade or better. We monitor counterparty exposures and review any downgrade in credit rating. To mitigate pre-settlement risk, minimum credit standards become more stringent as the duration of the derivative financial instrument increases. To minimize the concentration of credit risk, we enter into derivative transactions with a portfolio of financial institutions. Based on these factors, we consider the risk of counterparty default to be minimal.

A number of our foreign subsidiaries receive revenues (through either internal or external billing) in currencies other than their functional currency. As a result, the foreign subsidiary's functional currency revenue will fluctuate as the currency exchange rates change. To reduce this variability, we use foreign exchange forward contracts to hedge the foreign exchange risk of the forecast collections. We have designated these derivatives as cash flow hedges of our forecast foreign currency denominated collections. We also use derivative financial contracts, principally foreign exchange forward contracts, to hedge other non-functional currency obligations. These exposures primarily arise from intercompany lending and other liabilities denominated in foreign currencies. At June 30, 2015, the longest outstanding maturity was 15 months. As of June 30, 2015, a net $1.6 million pretax gain has been deferred in accumulated other comprehensive income and is expected to be recognized in general and administrative expenses during the next twelve months. During the fiscal years ended June 30, 2015 and 2014, we recognized no material gains or losses due to hedge ineffectiveness.

As of June 30, 2015, 2014 and 2013 we had cash flow and economic hedges with a notional value of $43.2 million, $49.5 million and $107.2 million, respectively, to hedge internal and external revenue cash flows. We determine the fair value of our foreign currency derivatives based on quoted prices received from the counterparty for each contract, which we evaluate using pricing models whose inputs are observable. The net fair value of all derivatives held as of June 30, 2015 and 2014 was an asset of $1.9 million and $0.1 million, respectively. See Note 7, Fair Value Measurements, for further information regarding the determination of fair value.

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The fair value of our derivative instruments held as of June 30, 2015 and 2014 and their location in the consolidated balance sheet are as follows:

	Asset derivatives			Liability derivatives		
	Balance sheet location	Fair value June 30,		Balance sheet location	Fair value June 30,	
		2015	2014		2015	2014
Derivatives designated as hedging instruments:						
Foreign exchange forwards	Other current assets	$1,792	$618	Accounts payable, accrued liabilities and deferred income	$(157)	$(513)
Derivatives not designated as hedging instruments:						
Foreign exchange forwards	Other current assets	385	21	Accounts payable, accrued liabilities and deferred income	(115)	(37)
Total derivative assets (liabilities)		$2,177	$639		$	