PAYCHEX INC
Form DEF 14A
September 10, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Paychex, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Notice of 2015 Annual Meeting of Stockholders and Proxy Statement

Wednesday, October 14, 2015 at 10:00 a.m. Eastern Time The Strong, One Manhattan Square, Rochester, NY, 14607

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NOTICE OF 2015 ANNUAL MEETING OF STOCKHOLDERS

Wednesday, October 14, 2015

10:00 a.m. Eastern Time*

The Strong, One Manhattan Square, Rochester, NY, 14607

**A continental breakfast will be available from 9:00 a.m. - 10:00 a.m. Eastern Time*

The principal business of the 2015 Annual Meeting of Stockholders (the Annual Meeting) will be:

1. To elect nine nominees to the Board of Directors for a term of one year;

2. To hold an advisory vote to approve named executive officer compensation;

3. To approve and amend the Paychex, Inc. 2002 Stock Incentive Plan, including an increase in the shares available under the plan;

4. To approve the Paychex, Inc. 2015 Qualified Employee Stock Purchase Plan;

5. To ratify the selection of the independent registered public accounting firm; and

6. To transact such other business as may properly come before the meeting, or any adjournment thereof.

Stockholders are cordially invited to attend the Annual Meeting. Stockholders of record at the close of business on August 17, 2015, will be entitled to notice of and to vote at the Annual Meeting and at any adjournments or postponements thereof.

If you are unable to attend the Annual Meeting, you will be able to listen to the meeting via the Internet. We will broadcast the Annual Meeting as a live webcast through our website. Please note that you will not be able to vote or ask questions through the webcast. The webcast will be accessible at http://investor.paychex.com/webcasts and will remain available for replay for approximately one month following the meeting.

By Order of the Board of Directors
Stephanie L. Schaeffer
Corporate Secretary

September 10, 2015

Important notice regarding the availability of proxy materials for the 2015 Annual Meeting of Stockholders to be held on October 14, 2015:

Paychex, Inc. s Proxy Statement and Annual Report for the year ended May 31, 2015 are available at

http://investor.paychex.com/annual-report.aspx.

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Welcome to the Paychex, Inc. 2015 Annual Meeting of Stockholders

VOTING INFORMATION

Who Can Vote

August 17, 2015 is the record date fixed by the Board of Directors. Stockholders of record as of that date are entitled to notice of and to vote at the 2015 Annual Meeting of Stockholders.

How to Vote In Advance of the Meeting

Your vote is very important and we hope that you will attend the Annual Meeting. Even if you plan to attend the Annual Meeting in person, we recommend that you vote right away using one of the following advance voting methods. **Make sure to have your proxy card or voting instruction card in hand and follow the instructions.**

You can vote in advance, in one of three ways:

Visit the website listed on your proxy card to vote **VIA THE INTERNET**;

Call the telephone number on your proxy card to vote **BY TELEPHONE**;

Sign, date, and return your proxy card in the enclosed envelope to vote **BY MAIL**; or

Vote via your **MOBILE DEVICE** by scanning this QR code.

Voting at our 2015 Annual Meeting of Stockholders

All stockholders of record may vote in person at the Annual Meeting, which will be held on Wednesday, October 14, 2015 at 10:00 a.m. Eastern Time at The Strong in Rochester, New York. ***Beneficial owners, whose shares are held by a bank, broker, or other holder of record, must obtain a legal proxy in order to vote in person at the Annual***

Meeting.

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PROXY STATEMENT SUMMARY

This summary highlights information contained elsewhere in the proxy statement. This summary does not contain all of the information that you should consider and you should read the entire proxy statement before voting. For more complete information regarding the Company s performance for the fiscal year ended May 31, 2015, please review the Company s Annual Report on Form 10-K for the fiscal year ended May 31, 2015.

Paychex, Inc. s 2015 Annual Meeting of Stockholders

Date:	October 14, 2015	**Common Stock Outstanding (as of May 31, 2015):**	361.2 million shares
Time:	10:00 a.m., Eastern	**Registrar & Transfer Agent:**	American Stock Transfer & Trust Co.
Location:	The Strong, One Manhattan Square, Rochester, New York 14607	**State of Incorporation:**	Delaware
Record Date:	August 17, 2015	**Stock Symbol/Exchange:**	PAYX: NASDAQ

Proposals That Require Your Vote

		More Information in Proxy Statement	Board Recommendation
Proposal 1	Election of directors for a term of one year	3	**FOR** each director nominee
Proposal 2	Advisory vote to approve named executive officer compensation	19	**FOR**
Proposal 3		52	**FOR**

	To approve and amend the Paychex, Inc. 2002 Stock Incentive Plan, including an increase in the shares available under the plan		
Proposal 4	To approve the Paychex, Inc. 2015 Qualified Employee Stock Purchase Plan	58	**FOR**
Proposal 5	Ratification of selection of the Independent Registered Public Accounting Firm	62	**FOR**

Company Performance

$ in millions, except per share amounts	**For the fiscal year ended May 31, 2015**	**2014**	**% Change**
Service revenue	$ 2,698	$ 2,478	9%
Operating income, net of certain items [1]	$ 1,012	$ 942	7%
Net income	$ 675	$ 627	8%
Stock price (high and low) [2]	$ 51.72/$40.10	$ 45.95/$35.75	n/a
Stock price as of fiscal year end	$ 49.41	$ 41.11	20%

(1) Operating income, net of certain items, differs from what is reported under United States (U.S.) generally accepted accounting principles (GAAP) as operating income. Refer to Appendix C for a description of this non-GAAP financial measure and for a reconciliation of this measure to our operating income results as reported under U.S. GAAP.

(2) Based on 52-week high and low sale prices as reported on the NASDAQ Global Select Market as of May 31, 2015 and 2014.

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Proxy Summary

Additional Information

Please refer to the Frequently Asked Questions section beginning on page 66 for important information about proxy materials, voting, annual meeting procedures, Company documents, communications, and the deadlines to submit stockholder proposals for the 2016 Annual Meeting of Stockholders. Additionally, questions may be directed to Investor Relations at (800) 828-4411 or by written request to Paychex, Inc., 911 Panorama Trail South, Rochester, NY, 14625, Attention: Investor Relations.

Annual Meeting Webpage

Please visit the 2015 Annual Meeting of Stockholders Webpage at http://investor.paychex.com/annual-meeting.aspx. Here you will find general information regarding the meeting and find links to the 2015 Annual Report and Proxy Statement, as well as the webcast of the event.

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PROXY STATEMENT

Paychex, Inc.

911 Panorama Trail South

Rochester, NY 14625

Paychex, Inc. (Paychex, the Company, we, or our), a Delaware corporation, is furnishing this proxy statemen stockholders in connection with the solicitation of proxies on behalf of the Board of Directors of the Company (the Board) for the 2015 Annual Meeting of Stockholders (the Annual Meeting). This proxy statement summarizes information concerning the matters to be presented at the Annual Meeting and related information to help stockholders make an informed vote. Distribution of this proxy statement and a form of proxy to stockholders is scheduled to begin on or about September 10, 2015.

PROPOSAL 1 · ELECTION OF DIRECTORS FOR A ONE-YEAR TERM

Proposal Snapshot

What am I voting on?

Stockholders are being asked to elect nine director nominees for a term of one year. This section includes information about the Board and each director nominee.

Voting Recommendation

The Board recommends a vote **FOR** each of the nine director nominees.

The Board is elected by the stockholders to oversee the overall success of the Company, review its operational and financial capabilities, and periodically assess its long-term strategic objectives. The Board serves as the ultimate decision-making body of the Company, except for those matters reserved to stockholders. The Board selects and oversees the members of senior management, who are charged by the Board with conducting the day-to-day business of the Company. The Board acts as an advisor to senior management and ultimately monitors management s performance.

Election Process

The Company s By-Laws provide for the annual election of directors. The By-Laws provide that each director shall be elected by a majority of the votes cast for the director at any meeting for the election of directors at which a quorum is present. If a nominee that is an incumbent director does not receive a required majority of the votes cast, the director shall offer to tender his or her resignation to the Board. The Governance and Compensation Committee (the G&C Committee) shall consider such offer and will make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board will consider the G&C Committee s recommendation and will determine whether to accept such offer.

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Election of Directors

2015 Nominees for Director

At the 2015 Annual Meeting, there are nine nominees for election as director, as listed on the following pages. Each of the nominees is a current member of the Board, having been elected by the stockholders at the 2014 Annual Meeting of Stockholders. The nine persons listed have been nominated for election to the Board by the Company s G&C Committee. The nominees, with the exception of Mr. Golisano and Mr. Mucci, are independent under both the NASDAQ Stock Market (NASDAQ) and Securities and Exchange Commission (SEC) director independence standards. If elected, each nominee will hold office until the 2016 Annual Meeting of Stockholders and until his or her successor is elected and has qualified. We believe that all of the nominees will be available to serve as a director. However, if any nominee should become unable to serve, the persons named in the enclosed proxy may exercise discretionary authority to vote for substitute nominees proposed by the Board.

The Board believes that the combination of the various qualifications, skills, and experience of the 2015 director nominees would contribute to an effective and well-functioning Board. We have provided biographical information on each of the nominees. Included within this information, we identify and describe the key experience, qualifications, and skills our directors bring to the Board that are important in light of our business and structure.

The Board recommends the election of each of the director nominees identified on the following pages. Unless otherwise directed, the persons named in the enclosed proxy will vote the proxy FOR the election of each of these director nominees.

Summary of Director Nominees

The Board is committed to ensuring that it is composed of a highly capable and diverse group of directors who are well equipped to oversee the success of the business and effectively represent the interests of stockholders. The G&C Committee believes that all directors should possess the following: the highest personal and professional ethics; share the values of the Company; have relevant experience; are accomplished in their field; and show innovative and sound business judgment. The Board has identified particular qualifications, attributes, skills and experience that are important to be represented on the Board as a whole, in light of the Company s business and current needs. The Board believes the combination of the various qualifications, attributes, skills, and experience of the director nominees contribute to a well-functioning and effective Board.

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B. Thomas Golisano

Mr. Golisano founded Paychex in 1971 and is Chairman of the Board of the Company. He served as President and Chief Executive Officer of the Company until October 2004. He serves on the board of trustees of the Rochester Institute of Technology. Mr. Golisano serves as a director of numerous non-profit organizations and private companies, and is founder and member of the board of trustees of the B. Thomas Golisano Foundation.

Director Since: 1979

Age: 73

Specific qualifications and skills:

The Board has concluded that Mr. Golisano is qualified to lead the Board due to his relevant executive leadership experience and extensive knowledge of the operations of the Company. These skills were attained through his role of founder and former Chief Executive Officer of Paychex.

Board Committees:

Executive

Current Other Public Company Directorships:

None

Joseph G. Doody

Mr. Doody has served as Vice Chairman of Staples, Inc., an office products company, since February 2014. Previously with Staples, Inc., he served as President, North American Commercial, since January 2013 and President, North American Delivery, from March 2002 to January 2013. Mr. Doody is a member of the Executive Advisory Committee for the Simon Graduate School of Business at the University of Rochester.

Director Since: 2010

Age: 63

Specific qualifications and skills:

Board Committees:

Audit

The Board has concluded that Mr. Doody is qualified to serve as a director of the Company due to his significant leadership and international experience. His management of a large division of a multinational company enables him to provide our Board with important operational expertise. In addition, his deep knowledge of small- to medium-sized businesses brings thorough understanding of the risks and opportunities affecting the Company s clients and potential clients. Mr. Doody s current responsibilities include strategic planning and business development, which allow him to provide valuable input into the Company s plans for market growth.

Current Other Public Company Directorships:

Casella Waste Systems, Inc.

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Election of Directors

David J.S. Flaschen

Mr. Flaschen is an investor and advisor to a number of private companies providing business, marketing, and information services. From 2005 to 2011, he was a partner with Castanea Partners, a private equity investment firm. Mr. Flaschen is a director of various private companies and joined the Board of Informa PLC in September 2015.

Director Since: 1999

Age: 59

Specific qualifications and skills:

The Board has concluded that Mr. Flaschen is qualified to serve as a director of the Company as a result of his extensive executive experience in information and marketing services. Over the course of his career, Mr. Flaschen has worked internationally with a number of businesses, including Thomson Financial and AC Nielson. He also brings a high degree of financial literacy obtained from his years in the financial services industry, and his ability to assess financial performance of other companies through review and understanding of financial statements. This financial expertise is a great benefit to the Board and its committees.

Board Committees:

Audit (Chairman), Investment, Governance and Compensation

Current Other Public Company Directorships:

Informa PLC (London Exchange)

Phillip Horsley

Mr. Horsley is the founder of Horsley Bridge Partners, a leading manager of private equity investments for institutional clients. The firm was founded in 1983 and Mr. Horsley retired in 2010.

Director Since: 2011 (previously served from

1982-2009, reappointed in 2011)

Specific qualifications and skills:

Age: 76

The Board has concluded that Mr. Horsley is qualified to serve as a director of the Company due to his strong background in finance and business and his expertise in investment management. His investment experience is particularly valuable in Investment Committee decisions. In addition, Mr. Horsley has acquired an extensive knowledge of the Company s history and operating environment via his long-term relationship with the Company.

Board Committees:

Investment and Governance and Compensation

Current Other Public Company Directorships:

None

Grant M. Inman

Mr. Inman is the founder and General Partner of Inman Investment Management, a private investment company formed in 1998. Mr. Inman is a trustee of the University of California, Berkeley Foundation and is also a director of several private companies.

Director Since: 1983

Age: 73

Specific qualifications and skills:

The Board has concluded that Mr. Inman is qualified to serve as a director of the Company due to his strong background in finance and business, and his entrepreneurial experience. His expertise in assessing financial performance of other companies is also beneficial. In addition, Mr. Inman s tenure on the Board provides him with extensive knowledge of the Company. Mr. Inman brings a diverse perspective to the Board from his experience in venture capital and investment.

Board Committees:

Investment (Chairman),

Audit, and Governance and Compensation

Current Other Public Company Directorships:

Lam Research Corporation (Lead Independent Director)

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Pamela A. Joseph

Ms. Joseph served as a Vice Chairman of U.S. Bancorp Payment Services and Chairman of Elavon (formerly NOVA Information Systems, Inc.), a wholly owned subsidiary of U.S. Bancorp from December 2004 until her retirement in June 2015. U.S. Bancorp Payment Services and Elavon manage and facilitate consumer and corporate card issuing, as well as payment processing. Ms. Joseph currently serves as a member of the Board of Directors for Centene Corporation, a national leader in the healthcare services field.

Director Since: 2005

Age: 56

Board Committees:

Audit and Executive

Specific qualifications and skills:

The Board has concluded that Ms. Joseph is qualified to serve as a director of the Company due to her extensive executive experience in the financial services industry. Her wealth of technology experience brings insight to the Board and its committees. In addition, her experience with major acquisitions and international expansion provides valuable input towards the Company s growth plans.

Current Other Public Company Directorships:

Centene Corporation

Martin Mucci

Mr. Mucci has served as President and Chief Executive Officer of the Company since September 2010. Mr. Mucci joined the Company in 2002 as Senior Vice President, Operations. Prior to joining Paychex, he held senior level positions with Frontier Telephone of Rochester, a telecommunications company, over the course of his 20-year career. Mr. Mucci was a member of the Board of Directors of Cbeyond, Inc. until it was purchased by Birch Communications in July 2014. He is a member of the Upstate New York Regional Advisory Board of the Federal Reserve Bank of New York and is a Trustee Emeritus of St. John Fisher College.

Director Since: 2010

Age: 55

Board Committees:

Executive (Chairman)

Specific qualifications and skills:

	Current Other Public Company Directorships:
The Board has concluded that Mr. Mucci is qualified to serve as a director of the Company because he provides day-to-day leadership as the current Chief Executive Officer of Paychex, giving him intimate knowledge of the Company, its operations, challenges, and opportunities. In addition, Mr. Mucci s educational background provides him with strong financial literacy.	None

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Election of Directors

Joseph M. Tucci

Mr. Tucci has been the Chairman of the Board of Directors of EMC Corporation, the world leader in information infrastructure technology and solutions, since January 2006. He has been Chief Executive Officer and President of EMC Corporation since January 2001, and President since January 2000.

Specific qualifications and skills:

The Board has concluded that Mr. Tucci is qualified to serve as a director of the Company due to his extensive executive leadership experience as Chief Executive Officer of EMC Corporation. Mr. Tucci has spent over 40 years in the technology industry in senior roles at large, complex, and global technology companies. His experience with leading EMC through a period of dramatic revitalization, growth and market share gains, and new product introductions enables him to share knowledge of the challenges a company faces due to rapid changes in the marketplace.

Director Since: 2000

Age: 68

Board Committees:

Governance and Compensation (Chairman)

Current Other Public Company Directorships:

EMC Corporation (Chairman of the Board) and VMware, Inc. (Chairman of the Board)

Joseph M. Velli

Mr. Velli is a retired financial services and technology executive. For most of his career, Mr. Velli served as Senior Executive Vice President of The Bank of New York and as a member of the Senior Policy Committee. During his 22-year tenure with The Bank of New York, Mr. Velli s responsibilities included heading Global Issuer Services, Global Custody and related Investor Services, Global Liquidity Services, Pension and 401(k) Services, Consumer and Retail Banking, Correspondent Clearing, and Securities Services. Most recently, he served as Chairman and Chief Executive Officer of ConvergEx Group, LLC, a provider of brokerage, software products and technology services from 2006 to 2013, and continued to serve on the ConvergEx Board in 2014. Mr. Velli was a member of the E*Trade Financial Corporation Board until October 2014. He

Director Since: 2007

Age: 57

Board Committees:

joined the Board of Computershare Ltd. in October 2014. From time to time, he also provides advisory services to private equity firms.	Investment, Executive, and Governance and Compensation
Specific qualifications and skills:	**Current Other Public Company Directorships:**
The Board has concluded that Mr. Velli is qualified to serve as a director of the Company due to his extensive experience with securities servicing, capital markets, business to business, marketing, and M&A matters, as well as his public board experience. He plays a key role in the Board s discussions of the Company s investments and liquidity. Mr. Velli has extensive experience with acquisitions and business services, providing valuable insights on potential growth opportunities for the Company.	Computershare Ltd. (Australian Exchange)

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DIRECTOR COMPENSATION

FOR THE FISCAL YEAR ENDED MAY 31, 2015

Director compensation is set by the G&C Committee and approved by the Board. The Board s authority cannot be delegated to another party. The Company s management does not play a role in setting Board compensation. The Company compensates the independent directors of the Board using a combination of cash and equity-based compensation. Martin Mucci, President and Chief Executive Officer (CEO), receives no compensation for his services as director. Rather, the compensation received by Mr. Mucci in his role as President and CEO is shown in the Fiscal 2015 Summary Compensation Table, contained in the Named Executive Officer Compensation section of this proxy statement.

The table below presents the total compensation received from the Company by all directors for fiscal year ended May 31, 2015 (fiscal 2015).

Name (a)		Fees Earned or Paid in Cash ($) (b)		Stock Awards ($) (c)		Option Awards ($) (d)		Total ($)
B. Thomas Golisano	$	287,500	$		$		$	287,500
Joseph G. Doody	$	83,750	$	62,800	$	63,690	$	210,240
David J.S. Flaschen	$	116,250	$	62,800	$	63,690	$	242,740
Phillip Horsley	$	86,250	$	62,800	$	63,690	$	212,740
Grant M. Inman	$	96,250	$	62,800	$	63,690	$	222,740
Pamela A. Joseph	$	88,750	$	62,800	$	63,690	$	215,240
Joseph M. Tucci	$	93,750	$	62,800	$	63,690	$	220,240
Joseph M. Velli	$	91,250	$	62,800	$	63,690	$	217,740

Fees Earned or Paid in Cash (Column (b))

The amounts reported in this column reflect the annual cash compensation paid to the independent directors during fiscal 2015, whether or not such fees were deferred. Annual cash compensation for independent directors is comprised solely of annual retainers, which are paid in quarterly installments. These retainers are paid for participation on the Board with separate retainers for committee membership. In addition to their committee membership retainers, the chairs of the Audit Committee and G&C Committee receive retainers in recognition for their time contributed in preparation for committee meetings. The annual retainers in effect since October 2014 are as follows:

Compensation Element	Amount
Annual cash retainer, applicable to all independent directors	$ 75,000
Audit Committee member annual retainer	$ 10,000
G&C Committee member annual retainer	$ 7,500
Investment Committee member annual retainer	$ 5,000
Executive Committee member annual retainer	$ 5,000
Audit Committee Chair annual retainer	$ 20,000
G&C Committee Chair annual retainer	$ 12,500

In October 2014, the annual cash retainer applicable to all independent directors was increased from $70,000 to $75,000. Mr. Golisano, who is not an independent director, receives an annual retainer of $300,000, increased from $250,000 in October 2014, for his services as Chairman of the Board, paid in quarterly installments. The Board received competitive market data on director compensation of companies in our compensation Peer Group from our independent consultants. Review of such information generated a change in compensation.

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Director Compensation

Equity Awards: Stock Awards (Column (c)) and Options Awards

(Column (d))

The amounts reported in these columns reflect the grant-date fair value of restricted stock awards and option awards, respectively, granted to each director, and do not reflect whether the recipient has actually received a financial gain from these awards (such as a lapse in the restrictions on a restricted stock award or by exercising stock options). For fiscal 2015, the equity-based compensation structure for independent directors was based on a total value of approximately $125,000 per director, with approximately 50% awarded in the form of stock options and 50% in the form of restricted stock. In July 2014, all independent directors received an annual equity award under the Paychex, Inc. 2002 Stock Incentive Plan (the 2002 Plan), as amended and restated October 13, 2010 composed of the following:

	Restricted Stock Awards	Option Awards
Grant Date	July 9, 2014	July 9, 2014
Exercise Price	NA	$41.70
Quantity	1,506	10,850
Fair Value (1)	$41.70	$5.87
Vesting Schedule	On the first anniversary of the date of grant.	On the first anniversary of the date of grant.
Certain Restrictions	Shares may not be sold during the director s tenure as a member of the Board, except as necessary to satisfy tax obligations.	

Other [2]	Upon the discretion of the Board, unvested shares may be accelerated in whole or in part for certain events including, but not limited to, director retirement.	Unvested options outstanding upon the retirement of a Board member will be canceled.

[1] The fair value of restricted stock awards is determined based on the closing price of the underlying common stock on the date of grant. The fair value of stock option awards is determined using a Black-Scholes option pricing model. The assumptions used in determining the fair value of $5.87 per share for these options were: risk-free rate of 2.2%; dividend yield of 3.7%; volatility factor of 0.21; and expected option term life of 6.5 years.

[2] Retirement eligibility for this purpose begins at age 55 or older with ten years of service as a member of the Board.

As of May 31, 2015, each director had the following equity awards outstanding:

Director	Restricted Stock Outstanding (Shares)	Stock Options Outstanding (Shares)
Joseph G. Doody	1,506	55,291
David J.S. Flaschen	1,506	81,712
Phillip Horsley	1,506	49,526
Grant M. Inman	1,506	81,712
Pamela A. Joseph	1,506	81,712
Joseph M. Tucci	1,506	91,712
Joseph M. Velli	1,506	78,712

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Subsequent Events

In July 2015, the Board granted each independent director 11,489 options to purchase shares of the Company s common stock at an exercise price of $47.43 per share and 1,308 shares of restricted stock. The terms of these awards were similar to the equity awards granted in July 2014. The award quantities are based on an estimated total value of approximately $125,000 per director.

Deferred Compensation Plan

We maintain a non-qualified and unfunded deferred compensation plan in which all independent directors are eligible to participate. Directors may elect to defer up to 100% of their Board cash compensation. The Company does not contribute to this plan. Gains and losses are credited based on the participant s selection of a variety of designated investment choices, which the participant may change at any time. We do not match any participant deferral or guarantee a certain rate of return. The interest rates earned on these investments are not above-market or preferential. Refer to the Non-Qualified Deferred Compensation table and discussion within the Named Executive Officer Compensation section of this proxy statement for a listing of investment funds available to participants and the annual rates of return on those funds. During fiscal 2015, no directors deferred compensation under the plan.

Benefits

We reimburse each director for expenses associated with attendance at Board and committee meetings.

Stock Ownership Guidelines

The G&C Committee set stock ownership guidelines for our independent directors with a value of five times his or her annual Board retainer, not including any committee retainers. The ownership guidelines were established to provide long-term alignment with stockholders interests. The independent directors are expected to attain the ownership guideline within five years after the later of first becoming a director or the initial adoption of the guideline. Directors must hold underlying stock received through restricted stock awards until their service on the Board is complete, with the exception of those shares sold as necessary to satisfy tax obligations. For the purpose of achieving the ownership guideline, restricted stock awarded to the directors is included. All independent directors are compliant with the stock ownership guidelines.

Prohibition on Hedging or Speculating In Company Stock

Directors must adhere to strict standards with regards to trading in Paychex stock. Also, the Company prohibits directors from hedging Paychex stock. They may not, among other things:

- speculatively trade in Paychex stock;
- short sell any securities of the Company; or
- buy or sell puts or calls on the Company s securities.

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Beneficial Ownership

BENEFICIAL OWNERSHIP OF PAYCHEX COMMON STOCK

The following table contains information, as of July 31, 2015, on the beneficial ownership of the Company s common stock by:

each principal stockholder known to be a beneficial owner of more than 5% of the Company s common stock. This includes any group as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act);

each director and nominee for director;

each of the Company s named executive officers (NEO s); and

all directors, NEOs, and executive officers of the Company as a group.

Under the rules of the SEC, beneficial ownership is deemed to include shares for which the individual, directly or indirectly, has or shares voting or disposition power, whether or not they are held for the individual s benefit, and includes shares that may be acquired within 60 days by exercise of options. This information is based upon reports filed by such persons with the SEC.

Name	Amount of Shares Owned (1)	Non-vested Shares of Restricted Stock (2)	Stock Options Exercisable by September 29, 2015 (3)	Total Shares Beneficially Owned	Percent of Class
Principal Shareholders:					
B. Thomas Golisano (4),(5),(6) 1 Fishers Road Pittsford, NY 14534	37,934,019			37,934,019	10.4%
Vanguard Group Inc. (7) PO Box 2600 V26	18,964,267			18,964,267	5.2%

Valley Forge, PA 19482-2600					
Directors:					
B. Thomas Golisano [4],[5],[6]	37,934,019			37,934,019	10.4%
Joseph G. Doody	10,996	1,308	55,291	67,595	**
David J.S. Flaschen	34,601	1,308	81,712	117,621	**
Phillip Horsley [6]	106,554	1,308	49,526	157,388	**
Grant M. Inman [6]	199,263	1,308	81,712	282,283	**
Pamela A. Joseph	17,394	1,308	81,712	100,414	**
Martin Mucci	137,363	98,693	938,165	1,174,221	**
Joseph M. Tucci	42,865	1,308	81,712	125,885	**
Joseph M. Velli	19,227	1,308	78,712	99,247	**
Named Executive Officers:					
Martin Mucci	137,363	98,693	938,165	1,174,221	**
Efrain Rivera	23,210	22,369	185,328	230,907	**
Mark A. Bottini	19,548	22,369	104,431	146,348	**
John B. Gibson	2,802	22,369	38,022	63,193	**
Michael E. Gioja	26,898	22,369	163,121	212,388	**
All directors, NEOs, and executive officers of the Company as a group (16 persons)	38,635,873	231,685	2,321,990	41,189,548	11.3%

** Indicates that percentage is less than 1%.

(1) This column reflects shares held of record and Company shares owned through a bank, broker, or other holder of record. For executive officers, this also includes shares owned through the Paychex, Inc. 401(k) Incentive Retirement Plan (the 401(k) Plan.)

(2) This column includes restricted stock awards to independent directors and executive officers that have not yet vested. These non-vested restricted stock awards have voting and dividend rights, and thus are included in beneficial ownership.

(3) This column includes shares that may be acquired upon exercise of options, which are exercisable on or prior to September 29, 2015. Under SEC rules, shares that may be acquired within 60 days are included in beneficial ownership.

(4) Included in shares beneficially owned for Mr. Golisano are 278,068 shares owned by the B. Thomas Golisano Foundation, of which Mr. Golisano is a member of the foundation s six-member board of trustees. Mr. Golisano disclaims beneficial ownership of these shares.

(5) Mr. Golisano has 7,750,295 shares pledged as security.

(6) Included in shares beneficially owned are shares held in the names of family members, trusts, or other entities: Mr. Golisano 68,679 shares; Mr. Horsley 105,048 shares; and Mr. Inman 136,949 shares.

(7) Beneficial ownership is based on information contained in the Form 13F filed with the SEC on August 13, 2015 by Vanguard Group Inc.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires directors, executive officers, and beneficial owners of more than 10% of the Company s common stock to file reports of their ownership and changes in their ownership of the Company s equity securities with the SEC. Based solely on our review of information supplied to the Company and filings made with the SEC, the Company believes that during fiscal 2015, its directors, executive officers, and greater than 10% beneficial owners have complied in a timely manner with all applicable Section 16 filing requirements.

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Corporate Governance

CORPORATE GOVERNANCE

The Board recognizes the fundamental principle that good corporate governance is critical to organizational success and the protection of stockholder value. As such, the Board has adopted a set of Corporate Governance Guidelines as a statement of principles guiding the Board s conduct. These principles are intended to be interpreted in the context of all applicable laws and the Company s Certificate of Incorporation, By-laws, and other governing documents. A copy of these guidelines can be found on our website at: http://investor.paychex.com/governance.

Board Leadership Structure

The Board s current leadership structure is comprised of:

- Chairman of the Board and non-independent director (Mr. Golisano);
- the President and CEO as a non-independent director (Mr. Mucci);
- an independent director serving as a Lead Independent Director (Mr. Tucci); and
- Audit, Governance and Compensation, and Investment committees led by independent directors.

The Board believes this structure provides a well-functioning and effective balance between strong Company leadership and appropriate safeguards and oversight by independent directors. The Board currently separates the role of Chairman of the Board from the CEO. We believe that the Company is best served by having a Chairman who has in-depth knowledge of the Company s operations and the industry, but is not involved in the day-to-day operations of the Company. Mr. Golisano s extensive experience as founder and former CEO qualifies him to lead the Board, particularly as it focuses on strategic risks and opportunities facing the Company.

Our Lead Independent Director has responsibility for conducting regularly scheduled executive sessions of the independent directors and such other responsibilities as the independent directors may assign. Regularly scheduled executive sessions of the independent members of the Board, without members of management present, are held in conjunction with meetings of the Board. As appropriate, matters presented to the Board by the G&C Committee are reviewed and discussed in executive session by the independent directors.

Board Oversight of Risk

One of the most important functions of the Board is oversight of risks inherent in the operation of the Company s business. Senior management is responsible for the day-to-day management of risks facing the Company. The Board implements its risk oversight function both as a whole and through delegation to Board committees. The Board receives regular reports from officers on particular risks to the Company, through review of the Company s strategic plan, and through regular communication with its committees. The Board committees, which meet regularly and report back to the full Board, play significant roles in carrying out the risk management function. In general, the committees oversee the following risks:

The Audit Committee oversees risks related to financial controls; legal, regulatory, and compliance risks; data security risk; and fraud risk.

The Investment Committee has established a policy outlining risk-tolerance and detailing requirements for the Company s investment portfolios, and oversees compliance with that policy.

The G&C Committee oversees risks related to compensation programs, as discussed in greater detail herein, as well as risks related to corporate governance matters including succession planning, director independence, and related person transactions.

The responsibilities of each committee are detailed in the individual committee charters, summarized in the Board Meetings and Committees section that follows.

The G&C Committee regularly reviews the risks and rewards associated with our compensation programs. The programs are designed with features that mitigate risk without diminishing the incentive nature of the compensation. As part of its risk oversight, the G&C Committee conducts an annual assessment of risks arising from the Company s compensation programs. The G&C Committee reviewed such programs with its independent compensation consultant. The G&C Committee s assessment included identification of risk with the various forms of compensation, the inherent risk in performance-based compensation metrics, and existing risk mitigation controls. Risk mitigation includes, but is not limited to, the balance of fixed and variable compensation, the balance of short- and long- term compensation, stock ownership guidelines, level of oversight, and controls over financial reporting. Based on this review, the G&C Committee concluded that its compensation policies and procedures are not reasonably likely to have a material adverse effect on the Company.

Board Meetings and Committees

Our Corporate Governance Guidelines require that our Board meet at least four times per year. The Board held four meetings in fiscal 2015. To the extent practicable, directors are expected to attend all Board meetings and meetings of the committees on which they serve. During fiscal 2015, each director attended more than 90% of the Board meetings and committee meetings on which the director served. Directors are expected to attend the Company s Annual Meetings of Stockholders. All of our current directors attended the 2014 Annual Meeting of Stockholders. All directors are independent within the meaning of applicable SEC and NASDAQ director independence standards, with the exception of Mr. Golisano and Mr. Mucci.

The Board has established four standing committees with the following responsibilities and director assignments:

Audit Committee	
Committee Members: (1)	Serve as an independent and objective party to monitor the Company s financial reporting process, internal control system, and financial risk management processes;
David J.S. Flaschen (Chair) (2)	
Joseph G. Doody	Review the performance and independence of the Company s independent accountants;

Grant M. Inman	Review and appraise the performance of the Company s internal auditors;
Pamela A. Joseph	Provide an open avenue of communication among the independent accountants, financial and senior management, the internal auditors, and the Board; and
6 Meetings in fiscal 2015	Review significant risk exposures and processes to monitor, control, and report such exposures, annually reporting on such information to the Board.

Executive Committee

Committee Members:	Exercise all the powers and authority of the Board except as limited by law.
Martin Mucci (Chair)	
B. Thomas Golisano	
Pamela A. Joseph	
Joseph M. Velli	
1 Meeting in fiscal 2015	

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Corporate Governance

Investment Committee	
Committee Members: Grant M. Inman (Chair) David J.S. Flaschen Phillip Horsley Joseph M. Velli **1 Meeting in fiscal 2015**	Review the Company s investment policies and strategies, and the performance of the Company s investment portfolios; and Determine that the investment portfolios are managed in compliance with the established investment policy.

Governance and Compensation Committee	
Committee Members: (3) Joseph M. Tucci (Chair) David J.S. Flaschen Phillip Horsley Grant M. Inman Joseph M. Velli **3 Meetings in fiscal 2015** (4)	Evaluate and determine compensation for the directors, CEO, and senior executive officers; Provide general oversight with respect to governance of the Board, including periodic review and assessment of corporate governance policies; Evaluate compensation policies for mitigating factors on risk that are reasonably likely to have a material adverse effect on the Company; Identify, evaluate, and recommend to the Board candidates for nomination for election to the Board; and Review annually the independence of directors.

(1) All members of the Audit Committee meet the independence, experience, and other applicable NASDAQ listing requirements and applicable SEC rules regarding independence.

(2) Mr. Flaschen qualifies as an Audit Committee Financial Expert, as defined by applicable SEC rules.

(3) All members of the G&C Committee meet the NASDAQ independence criteria.

(4) Due to scheduling constraints, the third meeting was held on June 1, 2015.

The Audit, Investment, and G&C Committees responsibilities are more fully described in each committee s charter adopted by the Board, which are accessible on the Company s website at http://investor.paychex.com/governance.

Nomination Process

The G&C Committee is responsible for recommending candidates to the full Board to either fill vacancies or stand for election at each annual meeting of stockholders. The committee follows the Board s Nomination Policy, which is included in the G&C Committee Charter. The Board does not have a formal policy regarding diversity. However, the Board has determined that it is necessary for the continued success of the Company to ensure that the Board is composed of individuals having a variety of complementary experience, education, training, and relationships relevant to the then-current needs of the Board and the Company.

In evaluating candidates for nomination to the Board, including candidates for nomination recommended by a stockholder, the Nomination Policy requires G&C Committee members to consider the contribution that a candidate for nomination would be expected to make to the Board and the Company. This is based upon the current composition and needs of the Board, and the candidate s demonstrated business judgment, leadership abilities, integrity, prior experience, education, training, relationships, and other factors that the Board determines relevant. In identifying candidates for nomination to fill vacancies created by the expiration of the term of any incumbent director, the Nomination Policy requires G&C Committee members to determine whether such incumbent director is willing to stand for re-election and, if so, to take into consideration the value to the Board and to the Company of their continuity and familiarity with the Company s business. The Board has previously used a third-party search firm to identify director candidates and the G&C Committee is authorized by its charter to continue this practice.

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The Nomination Policy requires the G&C Committee to consider candidates for nomination to the Board recommended by any reasonable source, including stockholders. Stockholders who wish to do so may recommend candidates for nomination by identifying such candidates and providing relevant biographical information in written communications to the Chairman of the G&C Committee in accordance with the policy described in the section entitled Communications with the Board of Directors.

Policy on Transactions with Related Persons

Related persons include our executive officers, directors, director nominees, and holders of more than 5% of the Company s common stock, as well as their immediate family members. It is generally the Company s policy to avoid transactions with related persons. However, there may be occasions when a transaction with a related person is in the best interest of the Company. The Company s policies and procedures for review and approval of related-person transactions appear in the Company s Standards of Conduct, Conflict of Interest, and Employment of Relatives Standards, which are internally distributed, and in the Company s Code of Business Ethics and Conduct, which is posted on the Company s website at http://investor.paychex.com/governance.

Officers are required to disclose any potential conflicts of interest or related party transactions, which include: certain financial interests in or relationships with any supplier, customer, partner, subcontractor, or competitor; and engaging in any activity that could create the appearance of a conflict of interest, including financial involvement or dealings with employees or representatives of the types of entities listed above. Annually, officers and directors complete a Director s and Officer s Questionnaire, within which we request information regarding whether the individual or any member of their immediate family had any interest in any actual or proposed transaction with the Company or any of its subsidiaries where the amount involved exceeded $120,000. The individuals are also asked about any other economic relationships that might be conflicts of interest. The responses are reviewed by our Financial Reporting and Legal Departments to determine if a conflict of interest exists related to any such transaction. For officers, the Company s Chief Financial Officer (CFO) oversees the review of such transactions.

Members of the Board are required to disclose to the Chairman of the Board or the Chairman of the G&C Committee any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company, including engaging in any conduct or activities that would impair the Company s relationship with any person or entity with which the Company has or proposes to enter into a business or contractual relationship.

The Financial Reporting department annually reviews the Company s listing of related parties for determination of potential related-person transactions that would be discloseable in the Company s periodic reports or under United States (U.S.) generally accepted accounting principles (GAAP) and SEC rules or proxy materials under SEC rules. The G&C Committee is required to consider all questions of possible conflicts of interest of Board members and executive officers, including review and approval of transactions of the Company in excess of $120,000 in which a director, executive officer, or an immediate family member of a director or executive officer has an interest. The factors considered by the G&C Committee in their review, include: the business objective of the transaction; the individual s involvement in the transaction; whether the transaction would impact the judgment of the officer or director to act in the best interest of the Company; and any other matters the G&C Committee deems appropriate. For fiscal 2015, no instances of conflict or non-compliance have occurred. Should a conflict of interest be identified, relevant information and circumstances would be reviewed to determine if action is required relative to continuing the arrangement.

For fiscal 2015, the following transactions in excess of $120,000 were identified and communicated to the G&C Committee:

Mr. Tucci, a member of our Board, is the Chairman of the Board, Chief Executive Officer and President of EMC Corporation. During fiscal 2015, the Company purchased through negotiated transactions approximately $6.9 million of data processing equipment and software from EMC Corporation. Mr. Tucci was not personally involved in the negotiation of these transactions.

Corporate Governance

Mr. Doody, a member of our Board, is the Vice Chairman of Staples, Inc. During fiscal 2015, the Company purchased through negotiated transactions approximately $1.7 million of office supplies from Staples, Inc. Mr. Doody was not personally involved in the negotiation of these transactions.

Mr. Golisano, Chairman of the Board of the Company, is a member of the board of trustees of the Rochester Institute of Technology. During fiscal 2015, the Company spent approximately $139,000 primarily related to tuition for Company employees with the Rochester Institute of Technology. Mr. Golisano was not personally involved in the negotiation of these transactions.

Ms. Joseph, a member of our Board, is the former Chairperson of Elavon. During fiscal 2015, the Company received $0.4 million from Elavon related to a revenue sharing arrangement for merchant processing services. Ms. Joseph was not personally involved in the negotiation of this arrangement.

Governance and Compensation Committee Interlocks and Insider Participation

None of the members of the G&C Committee were at any time during fiscal 2015, or at any other time, an officer or employee of the Company. Mr. Tucci, a member of the Board, is Chairman of the G&C Committee, and is also an executive of EMC Corporation. As previously noted, the Company purchases data processing equipment and software from EMC Corporation. During fiscal 2015, no member of the G&C Committee or Board was an executive officer of another entity on whose compensation committee or board of directors an executive officer of Paychex served.

Communications with the Board of Directors

The Board has established procedures to enable stockholders and other interested parties to communicate in writing with the Board, including the chairman of any standing committee of the Board. Written communications should be clearly marked: Stockholder and Other Interested Parties Board Communication, and be mailed to Paychex, Inc. at 911 Panorama Trail South, Rochester, New York, 14625-2396, Attention: Corporate Secretary. In the case of communications intended for committee chairmen, the specific committee must be identified. Any such communications that do not identify a standing committee will be forwarded to the Board. The Corporate Secretary will promptly forward all stockholder and other interested party communications to the Board or to the appropriate standing committee of the Board, as the case may be.

CODE OF BUSINESS ETHICS AND CONDUCT

The Company has a Code of Business Ethics and Conduct that applies to all of its directors, officers, and employees. The Company requires all of its directors, officers, and employees to adhere to this code in addressing legal and ethical issues that they encounter in the course of doing their work. This code requires our directors, officers, and employees to avoid conflicts of interest, comply with all laws and regulations, conduct business in an honest and ethical manner, and otherwise act with integrity and in the Company s best interest. All newly hired employees are required to certify that they have reviewed and understand this code. In addition, each year all employees are reminded of and asked to affirmatively acknowledge their obligation to follow the code. The Code of Business Ethics and Conduct is available for review on the Company s website at http://investor.paychex.com/governance. The Company intends to disclose any amendment to, or waiver from, a provision of its Code of Business Ethics and Conduct that relates to any element of the code of ethics definition enumerated in Item 406 of SEC Regulation S-K by posting such information on its website at the address specified above.

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PROPOSAL 2 l ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

Proposal Snapshot

What am I voting on?

Stockholders are being asked to approve, on an advisory basis, the compensation of our NEOs as described in the Compensation Discussion and Analysis (the CD&A) and the Named Executive Officer Compensation sections of this proxy statement.

Voting Recommendation

The Board recommends a vote **FOR** the advisory vote approving NEO compensation, as disclosed in this proxy statement.

We are asking our stockholders to provide advisory approval of the compensation of our NEOs. This proposal, commonly known as a say-on-pay proposal, gives our stockholders an opportunity to express their views on the overall compensation of our NEOs and the philosophy, policies, and practices as described in this proxy statement. Our stockholders are given the opportunity to vote, on a non-binding, advisory basis, on say-on-pay proposals annually, with the next opportunity to vote on such a proposal being the 2016 Annual Meeting of Stockholders. ***Before you vote, we encourage you to read the CD&A and Named Executive Officer Compensation sections of this proxy statement, which provide detailed information on the Company s compensation policies and practices, and overall compensation of our NEOs.***

Compensation Programs Highlights

Our executive compensation programs are designed to attract, motivate, and retain highly qualified NEOs, who are critical to our success. We strongly believe that our executive compensation - both pay opportunities and pay actually realized - should be tied to Company performance. Under our compensation programs, the NEOs are rewarded for the achievement of specific annual and longer-term strategic and financial goals of the Company. Some key aspects of our compensation programs that you should consider are:

NEO compensation is evaluated and determined by our G&C Committee, which is entirely comprised of independent directors. This committee utilizes the services of an independent consultant to advise them on matters of executive compensation.

Our executive compensation program is designed to implement core compensation principles, including alignment with stockholders interests, long-term value creation, and pay-for-performance. A significant portion of pay is at risk where the amount realized will be dependent on achievement of financial targets or, in the case of certain time-vested equity awards, the value of the Company s stock.

A mix of annual and long-term incentive programs creates a balance between short-term and long-term focus, reducing risk in the compensation programs.

Our equity-based, long-term incentive awards include a mix of options, time-vested restricted stock awards, and performance shares.

In addition, we have responsible compensation practices that ensure consistent leadership and decision-making, certain of which are intended to mitigate risk. These include:

Stock ownership guidelines for directors and executive officers, designed to align the executives long-term financial interests with those of our stockholders.

Prohibition of hedging of the Company s stock for both directors and executive officers.

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Say-on-Pay Vote

A long-standing insider trading policy.

Certain recoupment, non-compete, and other forfeiture provisions within our Annual Officer Performance Incentive Program (the annual incentive program) and equity-based compensation agreements. These allow the Company to cancel all or any outstanding portion of equity awards and recoup the gross value of any payouts under the annual incentive program, vested restricted shares, or profits from exercises of options.

Advisory Vote

The G&C Committee, along with the Board, believe that the policies, procedures, and amounts of compensation discussed here, and described further in this proxy statement, are effective in achieving the desired goals of aligning our executive compensation structure with the interests of our stockholders. To indicate approval of our NEO compensation, a majority of the shares present in person or by proxy and entitled to vote at the Annual Meeting must be voted for the proposal.

This say-on-pay vote is advisory, and therefore is not binding on the Company, the G&C Committee, or our Board. Our Board values the opinions of our stockholders and, to the extent that there is any significant vote against the NEO compensation as disclosed in this proxy statement, we will consider our stockholders concerns and the G&C Committee will evaluate whether actions are necessary to address these concerns.

The Board recommends a vote FOR the advisory vote to approve the NEO compensation, as disclosed in this proxy statement.

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COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

Introduction

The CD&A provides you with a description of our executive compensation policies and programs, the decisions made by the G&C Committee regarding executive compensation, and the factors contributing to those decisions. This discussion focuses on the compensation of our NEOs for fiscal 2015, who were:

Name	Title
Martin Mucci	President and Chief Executive Officer (principal executive officer)
Efrain Rivera	Senior Vice President, Chief Financial Officer, and Treasurer (principal financial officer)
Mark A. Bottini	Senior Vice President, Sales
John B. Gibson	Senior Vice President, Service
Michael E. Gioja	Senior Vice President, Information Technology, Product Management and Development

Business and Financial Highlights

Our mission is to be the leading provider of payroll, human resource, insurance, and benefits outsourcing by being an essential partner with America s businesses. We believe success in this mission will lead to strong long-term financial performance.

Our executive compensation is tied to financial and operational performance and is intended to drive sustained, long-term increases in stockholder value. We delivered solid financial results for fiscal 2015. Reported financial results for fiscal 2015 and the respective growth percentages compared to the fiscal year ended May 31, 2014 (fiscal 2014) were as follows:

Total service revenue of $2.7 billion, an increase of 9%.

Payroll service revenue of $1.7 billion, an increase of 4%.

Human Resource Services revenue reached a milestone of $1.0 billion, an increase of 18%.

Total revenue of $2.7 billion, an increase of 9%.

Operating income, net of certain items (refer to note 1 below), also reached a milestone of $1.0 billion, an increase of 7%.

Net income of $674.9 million, an increase of 8%.

Diluted earnings per share was $1.85, an increase of 8%.

Strong operating cash flows of $895.2 million.

Note 1: Operating income, net of certain items, differs from what is reported under U.S. GAAP as operating income. Refer to Appendix C for a description of this non-GAAP financial measure and for a reconciliation of this measure to our operating income results as reported under U.S. GAAP.

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CD&A

Key Accomplishments:

Strong operational execution: We had solid execution in operations, as demonstrated by client satisfaction results that remained high. We achieved record levels of client retention, in excess of 82% of our beginning client base for fiscal 2015. We ended fiscal 2015 with approximately 590,000 payroll clients, an increase of 2% over the prior fiscal year.

Strong sales execution: We have made strong progress in the area of sales execution, with fiscal 2015 seeing strong growth in new annualized revenue sold.

Invested in leading-edge technology: We continued to invest in our software-as-a-service (SaaS) solutions and mobility applications to position us for long-term growth. Some key investments include, but are not limited to, the following:

We introduced our Paychex Flex℠ platform, an industry-leading, cloud-based solution that streamlines workforce management through innovative technology and flexible choice of service;

We expanded our mobile applications by introducing mobile applications for our Paychex Accounting Online® services, time and attendance, and our expense management solution; and

We released the newest version of our applicant tracking system, myStaffingPro®, which has expanded mobility and new features. These new features are designed to enhance the candidate experience by reducing data entry, improving completion rates, and providing the ability to create candidate differentiators.

Expanded portfolio of value-added services: We acquired nettime solutions, LLC, a leading cloud-based time and attendance solutions provider. This small-business acquisition pairs our exceptional customer service with the SaaS time and attendance technology of a market leader. We also saw strong market acceptance of our full-service Paychex Employer Shared Responsibility offering, which aides clients with navigation of the complexities of health care reform.

Stockholder-friendly actions: We returned capital to our stockholders. In May 2014, the Board authorized the repurchase of up to $350 million of our common stock, with the authorization expiring May 31, 2017. During fiscal 2015, we repurchased 3.9 million shares for $182.4 million. In July 2014, we increased our quarterly dividend by 9% to $0.38 per share.

For more information about our fiscal 2015 business results, see the section of our Fiscal 2015 Annual Report on Form 10-K (Form 10-K) titled Management s Discussion and Analysis of Financial Condition and Results of Operations.

How Pay is Tied to Company Performance

Our executive compensation programs are designed to ensure that the interests of the Company s senior leaders are appropriately aligned with those of its stockholders by rewarding performance that meets established business and individual goals. Key features of the program that tie to Company performance are:

- A significant portion of our NEO s annual compensation is at risk based on performance. For fiscal 2015, variable pay represented 85% of target total compensation for our CEO, and 74% of target total compensation on average for our other NEOs.

- Variable compensation is comprised of an annual cash incentive program and longer-term equity-based incentives. Performance shares provide the opportunity for restricted stock to be awarded if pre-established financial goals are met for a two-year performance period. Time-vested stock options and restricted stock awards provide value based on our stock price performance.

- Target compensation for the annual incentive program and performance shares is established at the beginning of the performance period by the G&C Committee. NEOs have an opportunity to earn actual compensation that varies from target based on achievement against pre-established performance metrics.

Performance targets incorporated into our executive compensation programs include the metrics of service revenue (a measure of business growth) and operating income, net of certain items (our measure of profitability).

The financial measures used as targets for the annual incentive program and the performance shares are linked directly to our annual and longer-term strategic business plans that are reviewed and approved by the Board.

The pay mix at target for our CEO and other NEOs for fiscal 2015 is displayed below.

The following illustrates the three-year directional relationship between Company performance, based on two of our key financial metrics, and the total compensation of our CEO as reported in the Summary Compensation Table in the Named Executive Officer Compensation section of this proxy statement.

Amounts realized in fiscal 2015 related to performance-based compensation programs for fiscal 2015 and prior years included the following:

Payouts under the annual incentive program for fiscal 2015 were earned at 108% of target for the CEO and 106% of target for the Senior Vice Presidents (SVPs). Achievement was measured against financial targets established at the beginning of fiscal 2015.

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The two-year performance period for the performance shares granted in July 2013 ended on May 31, 2015. The financial targets were set at the beginning of this two-year period, and were based on economic trends experienced at that time. Achievement against these targets resulted in restricted shares earned at 117% of target.

Refer to the section entitled Elements of Compensation and the subsections of Annual Officer Performance Incentive Program and Equity-Based Compensation within this CD&A for a more detailed discussion of variable compensation, performance targets established, and actual results against those targets.

Reported Compensation Versus Pay Actually Realized

The accompanying graph illustrates the difference between reported compensation in the Fiscal 2015 Summary Compensation Table and the pay actually realized by our CEO for the fiscal year ended May 31, 2013 (fiscal 2013), fiscal 2014, and fiscal 2015. We believe this supplemental information is important since a significant portion of reported compensation is an incentive for future performance and realizable only if the Company meets or exceeds the applicable performance measures, or is based on the Company s stock-price performance. The primary difference between reported compensation and pay actually realized is related to equity-based awards. In reported compensation, equity-based awards are included in the year granted at grant-date fair value. In pay actually realized, equity-awards are included at the value realized upon lapse of restricted stock awards or exercise of stock option awards.

The total realized compensation for fiscal year 2015 was positively impacted by improvement in our stock price, which was reflected in higher amounts realized from restricted stock lapses and option exercises.

Results of the 2014 Say-on-Pay Vote

At the 2014 Annual Meeting of Stockholders held in October 2014, over 93% of the total stockholder votes cast were in favor of the Company s NEO compensation as presented in our 2014 Proxy Statement. The G&C Committee considered this favorable outcome and believed it conveyed our stockholders support of the committee s decisions and the existing executive compensation programs. As we evaluated our compensation practices and talent needs throughout fiscal 2015, we remained mindful of the strong support for our compensation policies and practices communicated by our stockholders at the last annual meeting. As a result, the G&C Committee retained the core design of our executive compensation programs as it believes the program continues to attract, retain, and provide appropriate incentive for senior management. At the 2015 Annual Meeting, we will again hold an advisory vote to approve NEO compensation and the G&C Committee will continue to consider results from this and future advisory votes to approve NEO compensation.

Highlights of Executive Compensation Practices

The Board maintains governance standards and oversight of our executive compensation policies and practices. The following governance practices were in place during fiscal 2015, and these practices, among other elements of our compensation programs, aid in mitigating risk associated with our compensation programs.

What We Do

þ	***Pay for performance.*** As previously discussed, a significant portion of executive pay is not guaranteed, but rather tied to key financial metrics that are disclosed to our stockholders.
þ	***Mitigate undue risk in compensation programs.*** The executive compensation program includes features that reduce the possibility of the NEOs, either individually or as a group, making excessively risky business decisions that could maximize short-term results at the expense of longer-term value.
þ	***Balance of short-term and long-term incentives.*** Our incentive programs provide an appropriate balance of annual and longer-term incentives.
þ	***Capped award payouts.*** Amounts or shares that can be earned under the annual incentive program, as well as under the longer-term performance share and performance option awards, are capped.
þ	***Share ownership guidelines.*** There are restrictions on sales of vested awards until a NEO has attained ownership of the Company s stock as follows: CEO three times base salary; SVPs two times base salary; and Vice Presidents (VP s) one times base salary.
þ	***Include double-trigger change in control provisions.*** Our Change in Control Plan for officers is a double-trigger arrangement, requiring change in control and a subsequent termination of employment.
þ	***Include recoupment, non-compete, and other forfeiture provisions in our equity-award provisions and annual incentive program.*** Our annual incentive program and equity-based compensation agreements

contain certain recoupment, non-compete, and other forfeiture provisions that will allow the Company to cancel all or any outstanding portion of equity awards and recover the payouts under the annual incentive program, gross value of any vested restricted shares, or profits from exercises of options.

þ ***Utilize an independent compensation consulting firm.*** The G&C Committee benefits from its utilization of an independent compensation consulting firm, which provides no other services to the Company.

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CD&A

What We Don t Do

x	***No employment agreements.*** We do not have employment contracts for our NEOs. Employment of all of our executive officers is at will.
x	***No significant perquisites.*** The benefits our NEOs receive in the form of health insurance, life insurance, and Company matching contributions to the 401(k) Plan are the same benefits generally available to all of our employees.
x	***No hedging or short sales transactions permitted.*** Our executive officers, including NEOs, and directors are prohibited from engaging in any hedging or other similar types of transactions with respect to the Company s common stock.
x	***No dividends or dividend equivalents on unearned performance shares.*** Performance share awards do not earn or pay dividends until the shares are earned.

Refer to the remainder of this CD&A for a detailed discussion of the overall compensation philosophy, practice, and analysis of elements of the compensation awarded to our NEOs as provided in the Fiscal 2015 Summary Compensation Table, included in the Named Executive Officer Compensation section of this proxy statement.

Elements of Compensation

We use a combination of compensation elements, including base salary, annual incentive program, and equity-based awards delivered under our 2002 Plan. Each element and the related compensation decisions and results for fiscal 2015 are discussed on pages 27 through 33.

Summary of Fiscal 2015 Elements of Compensation

(1) Comprised of non-qualified performance stock options. These were granted in July 2011, and to newly hired executives thereafter, as incentive to achieve long-term strategic goals.

Fiscal 2015 Compensation Results

Base Salary

We pay base salary to attract talented executives and to provide a fixed base of cash compensation. Base salaries are reviewed annually. Our practice is to make targeted base salary increases as determined necessary based on performance, market information, and scope of responsibilities. For fiscal 2015, all NEO s received a base salary increase based on these factors, bringing them closer to the median of our Peer Group.

Annual Officer Performance Incentive Program

The annual incentive program was established to motivate NEOs to meet the financial goals set by the Company as presented to its stockholders, while maintaining alignment with stockholders interests. The G&C Committee set a goal for net income of $400 million for fiscal 2015 as the minimum performance hurdle for the NEOs to be eligible for payout under the program. The Company achieved this net income goal for fiscal 2015. The annual incentive program is intended to comply with section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) for NEOs affected by the $1 million limitation on deductible compensation. Upon achievement of the minimum eligible performance, payouts under our annual incentive program are determined based upon the satisfaction of certain quantitative and qualitative components.

The quantitative component consists of certain predetermined performance targets, which are established at the beginning of each fiscal year, typically based on the Board-approved fiscal year financial plan. The targets for payout are established by the G&C Committee with consultation of management. The performance targets established are intended to provide a balance between growing revenue and managing expenses. Once a target is determined, it is set for the year and is normally not changed. For extraordinary circumstances, the G&C Committee reserves the right to apply discretion.

The qualitative component of the annual incentive program consists of individual-specific qualitative goals established at the beginning of the fiscal year based on functions unique to the individual. The CEO can potentially receive up to 20% of base salary and all other NEOs can potentially receive up to 10% of base salary. The assessment of these goals is subjective and is not always based on quantifiable financial measurements. The G&C Committee may determine, at its sole discretion, whether satisfactory achievement has occurred, regardless of achievement against the pre-established individual goals. At its discretion for fiscal 2015, the G&C Committee awarded most of the NEOs all of the qualitative portion of the awards. The qualitative component of the annual incentive program is not considered material to the overall compensation for each NEO.

The weighting of each quantitative performance target is determined by the G&C Committee when the targets are established, and this weighting varies for each NEO based on the individual s position. Each of the performance targets applicable to a NEO s annual incentive program provide the NEO an opportunity to earn a percentage of their annualized base salary based on achievement at threshold, target, and maximum. The total percentage of base salary for all performance measures that the NEOs have the opportunity to earn are as follows:

	Quantitative Component			
Position	**Threshold**	**Target**	**Maximum**	**Qualitative Component**
CEO	30%	110%	180%	20%
SVP	25%	75%	120%	10%

Thresholds are set as the floor with any achievement below threshold resulting in no payout for the respective performance metric. Maximums are set as a ceiling on the amount of payout a NEO can receive for each performance metric.

The performance metrics for the fiscal 2015 annual incentive program for the NEOs were established as follows:

	Fiscal 2015 Year-over-Year Growth Rates			% of Plan Dollars			
Bonus Objectives [(1)]	**Threshold**	**Target**	**Maximum**	**Threshold**	**Target**	**Maximum**	**Achievement as a % of Target**
Service revenue	4%	9%	11%	96.0%	100.0%	102.0%	100.0%
Operating income, net of certain items	3%	8%	10%	96.0%	100.0%	102.0%	99.9%
Annualized new business revenue [(2)]	2%	10%	14%	92.7%	100.0%	103.7%	101.7%

(1) The annual incentive program allows for certain adjustments to metrics as reported in our consolidated financial statements. No adjustments to reported metrics were made for fiscal 2015.

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(2) Annualized new business revenue is the approximate amount of revenue to be earned over the first twelve-month period, from the sale in the current fiscal year, of certain payroll, human resource services, and insurance services to new clients and new product sales to existing clients. This measure is not directly calculated from our audited financial statements, as reported service revenue also includes recurring revenue from pre-existing clients. This metric is set to provide incentive for executives to strive to exceed the target, given the relationship to recurring revenue.

Each performance objective, along with the target percentage of base salary that can be earned for that metric and the actual payout percentage is set forth below, in accordance with calculations per the program.

	Mr. Mucci		Mr. Rivera and Mr. Gibson		Mr. Bottini		Mr.Gioja	
Bonus Objectives	**% of Base Salary at Target**	**% of Base Salary Achieved (1)**	**% of Base Salary at Target**	**% of Base Salary Achieved (1)**	**% of Base Salary at Target**	**% of Base Salary Achieved (1)**	**% of Base Salary at Target**	**% of Base Salary Achieved**
Service revenue	35.0%	35.0%	25.0%	25.0%	20.0%	20.0%	25.0%	25.0%
Operating income, net of certain items	45.0%	44.1%	30.0%	29.5%	25.0%	24.6%	30.0%	29.5%
Annualized new business revenue	30.0%	41.5%	20.0%	24.6%	30.0%	39.2%	20.0%	24.6%
Total quantitative annual incentive	110.0%	120.6%	75.0%	79.1%	75.0%	83.8%	75.0%	79.1%
Qualitative (2)	20.0%	20.0%	10.0%	10.0%	10.0%	10.0%	10.0%	9.0%
Total	130.0%	140.6%	85.0%	89.1%	85.0%	93.8%	85.0%	88.1%

(1) If the actual achievement under a given performance metric is between two thresholds (e.g. between threshold and target or between target and maximum), then the percentage of base salary achieved would be calculated based on a straight-line interpolation of the achievement level above threshold or target, as appropriate, for such

performance metric.

(2) The NEOs have an opportunity to earn a percentage of base salary based on individual-specific qualitative goals related to the functions unique to the individual. The G&C Committee may determine, at its sole discretion, whether satisfactory achievement has occurred, regardless of achievement against the pre-established individual goals.

The actual achievement translated to incentive payments for our NEOs is as follows:

	Annualized Base Salary (1)	Minimum Potential Payout (2)	Maximum Potential Payout (2)	% of Base Salary Achieved	Actual Incentive Compensation Earned (3)
Martin Mucci	$ 900,000	$	$ 1,800,000	140.6%	$ 1,265,580
Efrain Rivera	$ 475,000	$	$ 617,500	89.1%	$ 423,178
Mark A. Bottini	$ 450,000	$	$ 585,000	93.8%	$ 422,190
John B. Gibson	$ 400,000	$	$ 520,000	89.1%	$ 356,360
Michael E. Gioja	$ 425,000	$	$ 552,500	88.1%	$ 374,383

(1) This represents the NEO s annualized base salary as of May 31, 2015. It may differ from base salary paid for fiscal 2015 reflected in the Summary Compensation Table, contained in the Named Executive Officer Compensation section of this proxy statement, due to timing of salary increases, start dates, etc.

(2) These columns represents the range of payout that each NEO has the opportunity to earn. The minimum potential payout indicates that no payout is earned if achievement is below threshold. The maximum potential payout is based on the percentage of base salary that each NEO can earn for maximum achievement.

(3) Actual incentive compensation earned is calculated as annualized base salary multiplied by the percentage of base salary achieved, and is provided in the 2015 Summary Compensation Table, contained in the Named Executive Officer Compensation section of this proxy statement.

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Equity-Based Compensation

To align our NEOs interests with the long-term interests of our stockholders, the Company grants equity awards under the 2002 Plan. Annual grants of equity awards to the NEOs are approved during the regularly scheduled meeting of the G&C Committee in July. Historically, the July meeting has been scheduled to occur approximately two weeks after the release of our fiscal year-end earnings and upcoming fiscal year financial guidance. Our trading black-out period normally lifts on the third business day following such release of information. The G&C Committee anticipates continuing its granting practice. The G&C Committee may also grant equity awards to individuals upon hire or promotion to executive officer positions. These equity awards are not granted during any trading black-out periods. Recipients are notified shortly after G&C Committee approval of their grant, noting the number of stock options, shares of restricted stock, target performance shares and goals, the vesting schedule, and exercise price. Any sales restrictions or other terms of the award are also communicated at that time.

Annually, the G&C Committee reviews the NEO compensation of our Peer Group to determine the desired pay range for our officers. See the Compensation Decision Process section later in this CD&A for further information on the Committee s process for determining total compensation including equity awards. This review, along with the officer s individual performance and potential, determine the total compensation. The quantity of equity awards is based on an estimated total value as determined by the G&C Committee in conjunction with their total compensation review and evaluation. In July 2014, the G&C Committee made an annual equity grant that was a blend of stock options, time-vested restricted stock, and performance shares. The award value was split 30% to stock options, 50% to performance shares, and 20% to time-vested restricted stock. This distribution provides for 80% of the awards value to be performance-based, consistent with the G&C Committee s total compensation determination. The value delivered may be adjusted by the G&C Committee, at its discretion, for individual performance and future potential considerations. For our July 2014 grants, the G&C Committee determined the total estimated value to be $3,750,000 for the CEO and $850,000 for SVPs.

The following equity-based compensation was granted in July 2014 for all NEOs:

NEO	Performance Shares (at Target)	Option Awards (1)	Time-Vested Restricted Stock Awards (2)
Martin Mucci	48,581	195,313	18,072
Efrain Rivera	11,012	44,271	4,096
Mark A. Bottini	11,012	44,271	4,096
John B. Gibson	11,012	44,271	4,096
Michael E. Gioja	11,012	44,271	4,096

(1) Option awards vest 25% per year over 4 years and have a term of 10 years.

(2) Restricted stock awards vest 1/3 per year over 3 years.

Performance Shares

Performance shares are designed to provide variable compensation that is focused on longer-term results. Performance shares have a two-year performance period to determine the number of restricted shares to be issued. The NEO must serve for one additional year for the restrictions to lapse. The performance targets as set by the Board are based on service revenue and operating income, net of certain items, as projected in the strategic planning process. The G&C Committee established performance targets intended to be appropriately challenging at all levels, including the threshold level, but attainable with increasing difficulty for each level beyond threshold. The threshold level was expected to be appropriately challenging but achievable under normal circumstances. The target level would be achieved if the Company performed as expected under our strategic plan for the two-year period. The maximum level would be achievable only with exceptional performance.

The two-year performance period for performance shares granted in July 2013 was completed at the end of fiscal 2015. The shares earned were based on achievement against pre-established goals for the performance period as follows:

Performance Goal	Two-Year Performance Targets Established			Actual Achievement	
$ In Millions	**Threshold**	**Target**	**Maximum**	**($)**	**% of Target**
Service revenue [1]	$ 4,732	$ 4,981	$ 5,131	$ 5,018	101%
Operating income, net of certain items [2]	$ 1,853	$ 1,930	$ 1,969	$ 1,955	101%
Percent of plan	95%	100%	103%		
Payout as a percent of target	75%	100%	150%		117%

(1) Service revenue as calculated under the performance award agreement excludes the impact of acquisitions and the Professional Employer Organization (PEO) direct cost adjustment related to a new health insurance offering within the PEO during the performance period. Refer to Appendix C for a reconciliation of service revenue as calculated for the performance period to service revenue reported in our consolidated financial statements.

(2) Operating income, net of certain items, is a non-GAAP measure. In addition, this measure as calculated under the performance award agreement excludes the impact of business acquisitions during the performance period. Refer to Appendix C for a description of this non-GAAP measure and a reconciliation of the amount for the performance period to the related GAAP measure.

Achievement for both service revenue and operating income, net of certain items, were ahead of target. As a result of their performance against these pre-established goals, in July 2015 our NEOs received restricted shares at a quantity of 117% of the target level. The restrictions on these shares will lapse after an additional one-year service period. These performance shares, granted in July 2013, were reflected at grant-date fair value in the NEO compensation for fiscal 2013 in the Summary Compensation Table, contained in the Named Executive Officer Compensation section of this proxy statement.

Information regarding the equity-based awards granted to the NEOs in fiscal 2015 and in prior years are detailed in the Named Executive Officer Compensation tables included in this proxy statement.

Stock Ownership Guidelines

The G&C Committee has established stock ownership guidelines as follows:

Position	Requirement
CEO	3X base salary
SVP	2X base salary
VP	1X base salary

For any awards granted after July 2011, there are restrictions on sales of such vested awards until the officer has attained the applicable stock ownership level. The ownership guidelines were established to provide long-term alignment with stockholders interests. For the purposes of achieving the ownership guideline, unvested restricted stock awarded to the executive officers is included. All officers are compliant with the guidelines.

Prohibition on Hedging and Speculatively Trading in Company Stock

NEOs, along with all employees, of the Company must also adhere to strict standards with regards to trading in Paychex stock. Also, the Company prohibits executive officers from hedging Paychex stock. They may not, among other things:

speculatively trade in the Company s stock;

- short sell any securities of the Company; or
- buy or sell puts or calls on the Company s securities.

Recoupment, Non-Compete, and Other Forfeiture Provisions

In the annual incentive program, there is a clause that allows the Company to recoup all or a portion of the payouts under the annual incentive program, if those payouts were based on financial statements that are subsequently subject to restatement and where fraud or misconduct was involved. The Company will, to the extent permitted by governing law, require reimbursement of a portion of any compensation received where:

- the payment was predicated upon the achievement of certain financial results that were subsequently the subject of a substantial restatement;
- the participant engaged in fraud or misconduct that caused or partially caused the need for the substantial restatement; and
- a lower payment would have been made based upon the restated financial results.

In each such instance, the Company will, to the extent practicable, seek to recover the amount by which the individual participant s compensation for the relevant period exceeded the lower payment that would have been made based on the restated financial results, plus a reasonable rate of interest.

Our equity-based compensation agreements state that following termination of employment, certain benefits (including equity-based compensation) will be forfeited if the NEO engages in activities adverse to the Company. These activities include:

- competition with the Company during a specified period after termination of employment;
- solicitation of the Company s clients or employees during a specified period after termination of employment;
- breach of confidentiality either during or after employment; or

engaging in conduct which is detrimental to the Company during the NEO s employment with the Company. Should any of these activities occur, the Company may cancel all or any outstanding portion of the equity awards subject to this provision, and recover the gross value of any vested restricted shares, including all dividends. In the case of non-qualified stock options, the Company may suspend the NEO s right to exercise the option and/or may declare the option forfeited. In addition, the Company may seek to recover all profits from certain prior exercises as liquidated damages and pursue other available legal remedies.

Perquisites

Our NEOs receive benefits in the form of vacation, health insurance, life insurance, Company matching contributions to the 401(k) Plan when such contributions are in effect, and other benefits, which are generally available to all our employees. We do not provide our NEOs with pension arrangements, post-retirement health coverage, or other similar benefits, with the exception of access to a non-qualified and unfunded deferred compensation plan.

Deferred Compensation

We offer a non-qualified and unfunded deferred compensation plan to our NEOs. The deferred compensation plan is intended to supplement the NEO s 401(k) Plan account. Due to limitations on the 401(k) Plan accounts placed by the Internal Revenue Service, this plan allows for further savings toward retirement for the NEOs and functions similarly to the 401(k) Plan account. Refer to the Non-Qualified Deferred Compensation discussion included in the Named Executive Officer Compensation section of this proxy statement for more information on how our deferred compensation plan functions.

Change In Control Plan

Officers of the Company are covered by a Change in Control Plan. Upon involuntary termination by the Company without cause or a voluntary termination by the participant for good reason, within 12 months following a Change in Control, the officer becomes entitled to certain severance benefits. Such severance benefits are conditioned upon the execution of a general release in favor of the Company.

Cause means the participant s dereliction of duty to the Company, conviction for a felony, or willful misconduct that has a substantial adverse effect on the Company. Good reason means a significant change to the duties, authority, or position that were assigned immediately before the change in control including: the reduction in or removal of any material duties, authority or position within the Company; assignment of duties inconsistent with the participant s position, authorities or responsibilities; reduction to base salary, annual incentive, or other elements of total compensation; relocation of the participant s principal workplace to an area outside of a 50 mile radius, or the failure of a successor company to assume or adopt the Change in Control Plan. Refer to the Potential Payments upon Termination or Change In Control discussion within the Named Executive Office Compensation section of this proxy statement for further information.

Compensation Decision Process

Role of the Compensation Consultant

As outlined in its charter, the G&C Committee has the authority to retain consultants and advisers, at the Company s expense, to assist in the discharge of the committee s duties. The G&C Committee can retain and dismiss such consultants and advisers at any time. The G&C Committee s consultants report directly to the committee and have direct access to the committee through the G&C Committee s chair. The G&C Committee requires that any consultant it retains cannot be utilized by management for other purposes. Although management, particularly the VP of Human Resources and Organizational Development, may work closely with the consultant, the consultant is ultimately accountable to the G&C Committee on matters related to executive compensation.

The G&C Committee retains the services of Steven Hall & Partners (Steven Hall) as its independent compensation consultant. Steven Hall has not provided any other services to the Company prior to or subsequent to being retained as compensation consultant to the G&C Committee. The G&C Committee was solely responsible for the decision to retain Steven Hall as its consultant. Steven Hall advises the G&C Committee on matters of NEO compensation, assists with analysis and research, and provides updates on evolving best practices in compensation. While Steven Hall may express an opinion on compensation matters, the G&C Committee is solely responsible for setting the type and amount of compensation for NEOs.

The G&C Committee recognizes that it is essential to receive objective advice from its compensation consultant. The G&C Committee closely examines the procedures and safeguards that its compensation consultant takes to ensure that the compensation consulting services are objective. The G&C Committee has assessed the independence of Steven Hall pursuant to SEC rules and concluded that Steven Hall s work for the G&C Committee does not raise any conflict of interest. In making this assessment, the following factors were taken into consideration:

- that the compensation consultant reports directly to the G&C Committee, and the G&C Committee has the sole power to terminate or replace its compensation consultant at any time;

- the compensation consultant does not provide any other services to the Company;
- aggregate fees paid by the Company to the compensation consultant, as a percentage of the total revenue of the compensation consultant;
- the compensation consultant s policies and procedures designed to prevent conflicts of interest;
- any business or personal relationships between the compensation consultant, on one hand, and any member of the G&C Committee or executive officer, on the other hand; and
- whether the compensation consultant owns any shares of the Company s stock.

Role of Governance and Compensation Committee and Management

As part of the G&C Committee s responsibility to evaluate and determine NEO compensation, on an annual basis the G&C Committee:

- reviews the companies in our comparative Peer Group, a group of companies with comparable financial information or who are direct competitors of Paychex, for any changes;
- reviews base salaries for adjustments, if any;
- establishes and approves the performance targets and payouts under incentive-based programs and awards;
- grants equity awards under our 2002 Plan; and
- considers the impact of section 162(m) of the Code.

The G&C Committee continues to review each of the elements of compensation annually to ensure that compensation is appropriate and competitive to attract and retain a high-performing executive team. The G&C Committee targets to maintain performance-based pay as a percentage of total compensation of over 70% for the CEO and over 60% for the other NEOs. Additionally, the G&C Committee targets the value of long-term compensation to be approximately 60% for the CEO and 50% for the other NEOs.

The G&C Committee, in making its decisions, targets an equitable mix of compensation. It utilizes various sources of information to evaluate our NEO compensation, including, but not limited to:

- compensation consultant reports and analysis;
- benchmarking information with NEOs at Peer Group companies for all compensation elements; and
- internal management reports including a three-year history of total compensation for all officers and a summary for the upcoming fiscal year of total cash compensation and equity awards for all officers.

The G&C Committee strives for our NEOs compensation to be in line with our Peer Group. The information provided by the compensation consultant indicates whether our compensation package, if target performance is achieved, is comparable to the median compensation of our Peer Group, given current competitive practices, overall best practices, and other compensation and benefit trends.

Management reports are used to evaluate compensation recommendations and the impact to total compensation for each individual and to view a complete picture of the trend of compensation to executive officers, both as a team and as individuals. This facilitates discussion that more accurately details individual officer compensation, noting differences that reflect officer tenure, performance, and position in the management structure.

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The G&C Committee uses these management updates along with peer information, where available, as tools to evaluate executive compensation. This information is reviewed in a subjective manner. There is no implied direct or formulaic linkage between peer information and the G&C Committee s compensation decisions.

Our CEO and our VP of Human Resources and Organizational Development provide recommendations to the G&C Committee on design elements for compensation. These individuals, and from time to time invited guests including other officers, will be in attendance at the meetings of the G&C Committee to present and respond to questions on current or proposed plan design. Annually, our CEO reviews achievement of the recently completed fiscal year s plan and also presents recommendations regarding: salary for each of the NEOs (other than himself), the upcoming fiscal year s annual incentive program structure, and equity awards. Management is excluded from executive sessions of the G&C Committee where final decisions on compensation are made, particularly those on our CEO s performance and compensation. Executive sessions occur at each meeting of the G&C Committee.

Peer Group

Compensation for our officers is most closely compared to our Peer Group, for positions where such information is available. The G&C Committee assesses total compensation at the median of the Peer Group, even though Paychex performs above the median of its Peer Group in most financial categories as shown in the table below. Peer Group comparisons were available for the positions of Mr. Mucci, CEO, and Mr. Rivera, CFO, both of whom have total compensation that falls below the median total compensation of the Peer Group. For the remaining NEOs, compensation was compared to the average NEO compensation, excluding the CEO and CFO positions, for our Peer Group. These results were below the median total compensation of our Peer Group. Peer Group benchmarking is not the sole determining factor in the G&C Committee s decisions on compensation, and the G&C Committee reserves the discretion to adjust compensation based on other factors as previously discussed. The Peer Group companies are not necessarily limited to the markets in which Paychex does business. The Peer Group is comprised of the following industries or segments: a direct competitor in the payroll industry, financial transaction management companies, and business services and outsourcing companies.

Our current Peer Group consists of the following companies:

Peer Group

Automatic Data Processing, Inc.	Moody s Corporation
Broadridge Financial Solutions, Inc.	Robert Half International Inc.
DST Systems, Inc.	TD AMERITRADE Holding Corporation
Fiserv, Inc.	The Brink s Company
Global Payments Inc.	The Dun & Bradstreet Corporation
H&R Block, Inc.	The Western Union Company
Intuit Inc.	Total System Services, Inc.
Iron Mountain Incorporated	

Comparison with Peer Group

$ In Millions	Net Income	Market Capitalization at Fiscal Year-End	Revenue	Net Income as a % of Revenue
Paychex	$ 675	$ 17,847	$ 2,740	25%
Peer Median	$ 365	$ 8,111	$ 3,123	13%
Paychex Percentile Rank	67%	73%	20%	87%

The G&C Committee annually reviews and approves the selection of Peer Group companies, adjusting the group from year to year based upon our business and changes in the Peer Group companies business or the comparability of their metrics. The Peer Group may also be adjusted in the event of mergers, acquisitions, or other significant economic changes. The Peer Group was not adjusted in fiscal 2015. For more information regarding how we compare on selected criteria to our Peer Group, refer to Appendix D of this proxy statement.

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CEO Compensation

It is the responsibility of the G&C Committee to evaluate Mr. Mucci s performance annually and determine his total compensation. Mr. Mucci receives compensation based on his leadership role and the overall performance of the Company. Mr. Mucci s compensation for fiscal 2015 as reflected in the Summary Compensation Table, included in the Named Executive Officer Compensation section of this proxy statement, is as follows:

- Base salary of $900,000.
- Payout under the annual incentive program of 108% of target.
- Annual equity award grants comprised of 48,581 performance shares at target, 195,313 stock options with vesting pro-rata over four years, and 18,072 shares of time-vested restricted stock with vesting over three years.

Mr. Mucci s compensation remains below median when compared to that of the CEOs within our Peer Group. The G&C Committee will continue to assess and make adjustments to Mr. Mucci s compensation to move it toward the median as his tenure as CEO continues.

Subsequent Events

In July 2015, the following equity-based compensation was granted to the NEOs.

	Performance Shares at Target	Option Awards	Time-Vested Restricted Stock Awards
Martin Mucci	42,187	206,801	15,694
Efrain Rivera	9,562	46,875	3,557
Mark A. Bottini	9,562	46,875	3,557

John B. Gibson	9,562	46,875	3,557
Michael E. Gioja	9,562	46,875	3,557

Impact of the Internal Revenue Code

Section 162(m) of the Code generally limits the tax deductibility of compensation paid to certain officers to $1 million per year, unless specified requirements are met. The G&C Committee has carefully considered the impact of this provision as one factor among others in structuring NEO compensation. At this time, it is the G&C Committee s intention to continue to compensate all NEOs based on overall performance. The G&C Committee expects that most compensation paid to NEOs will qualify as a tax-deductible expense, but makes no representation as to the deductibility of any item of NEO compensation.

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THE GOVERNANCE AND COMPENSATION COMMITTEE REPORT

The Governance and Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in the Proxy Statement with management. Based on such review and discussion, the G&C Committee recommends to the Board that the Compensation Discussion and Analysis be included in the Proxy Statement and the Company s Form 10-K for fiscal 2015.

The Governance and Compensation Committee:

Joseph M. Tucci, *Chairman*
David J. S. Flaschen
Phillip Horsley
Grant M. Inman
Joseph M. Velli

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NEO Compensation

NAMED EXECUTIVE OFFICER COMPENSATION

FISCAL 2015 SUMMARY COMPENSATION TABLE

The table below presents the total compensation paid or earned by each of the NEOs.

and Principal on	Fiscal Year (b)	Salary (c)	Bonus (d)	Stock Awards (e)	Option Awards (f)	Non-Equity Incentive Plan Compensation (g)	All Other Compensation (h)	Tota (i)
Mucci	2015	$ 893,231	$	$ 2,632,715	$ 1,105,472	$ 1,265,580	$ 11,750	$ 5,908
	2014	$ 845,000	$	$ 2,741,795	$ 1,174,236	$ 1,234,292	$ 11,500	$ 6,006
ent and CEO								
	2013	$ 870,231	$	$ 2,489,381	$ 1,033,507	$ 856,830	$ 10,329	$ 5,260
Rivera	2015	$ 468,846	$	$ 596,747	$ 250,574	$ 423,178	$ 9,281	$ 1,748
	2014	$ 425,000	$	$ 621,448	$ 266,159	$ 418,285	$ 8,589	$ 1,739
Vice President,								
nd Treasurer	2013	$ 441,346	$	$ 533,428	$ 221,468	$ 256,955	$ 4,612	$ 1,457
A. Bottini	2015	$ 446,923	$ 75,000	$ 596,747	$ 250,574	$ 422,190	$ 11,617	$ 1,803
	2014	$ 425,000	$	$ 621,448	$ 266,159	$ 391,298	$ 10,604	$ 1,714
Vice President,	2013	$ 441,346	$	$ 533,428	$ 221,468	$ 247,265	$ 5,394	$ 1,448
. Gibson	2015	$ 393,846	$	$ 596,747	$ 250,574	$ 356,360	$ 7,029	$ 1,604
	2014	$ 350,000	$ 50,000	$ 621,448	$ 843,659	$ 344,470	$ 142,985	$ 2,352
Vice President,								
e								
el E. Gioja	2015	$ 421,923	$	$ 596,747	$ 250,574	$ 374,383	$ 10,823	$ 1,654
Vice President,								$ 1,684
ation Technology,	2014	$ 396,923	$	$ 621,448	$ 266,159	$ 393,680	$ 6,692	$ 1,368
t Management	2013	$ 381,346	$	$ 533,428	$ 221,468	$ 226,725	$ 5,481	
evelopment								

Salary (Column (c))

The amount reported in this column reflects the base salary paid to the NEOs during the fiscal year. For fiscal 2015 and 2014, there were 26 bi-weekly periods paid compared to 27 bi-weekly pay periods paid for fiscal 2013.

Bonus (Column (d))

The amounts reported in this column reflect a discretionary bonus of $75,000 to Mr. Bottini for strong sales performance in fiscal 2015 and a one-time payment of $50,000 to Mr. Gibson in fiscal 2014.

Stock Awards (Column (e))

The amounts in this column include the grant date fair value of both time-vested restricted stock awards and performance shares granted during the respective fiscal year, and do not reflect whether the recipient has actually realized a financial gain from such awards (such as lapse in the restrictions on a restricted stock award).

Time-Vested Restricted Stock Awards

The fair value of the time-vested restricted stock awards is determined based on the closing price of the underlying common stock on the date of grant. The resulting fair values were $41.70 per share, $38.48 per share, and $31.65 per share for the restricted stock awards granted annually in July of fiscal years 2015, 2014, and 2013, respectively. Refer to the Grants of Plan-Based Awards For Fiscal 2015 table included in this proxy statement for further information on restricted stock awards granted in fiscal 2015.

Performance Shares

Performance share awards are reflected in the table assuming target achievement. The grant-date fair value of these awards at target achievement, as reflected in the table, and also at maximum achievement is as follows:

	Fiscal 2015		Fiscal 2014		Fiscal 2013	
	Target	**Maximum**	**Target**	**Maximum**	**Target**	**Maximum**
Martin Mucci	$ 1,879,113	$ 2,818,689	$ 1,956,918	$ 2,935,395	$ 1,783,364	$ 2,675,047
Efrain Rivera	$ 425,944	$ 638,916	$ 443,555	$ 665,333	$ 382,141	$ 573,212
Mark A. Bottini	$ 425,944	$ 638,916	$ 443,555	$ 665,333	$ 382,141	$ 573,212
John B. Gibson	$ 425,944	$ 638,916	$ 443,555	$ 665,333	$	$
Michael E. Gioja	$ 425,944	$ 638,916	$ 443,555	$ 665,333	$ 382,141	$ 573,212

These awards have a two-year performance period, followed by an additional year of service required. The fair value of these awards is determined based on the closing price of the underlying common stock on the date of grant, adjusted for the present value of expected dividends over the performance period. The resulting fair value was $38.68 per share, $35.69 per share, and $29.10 per share for performance shares awarded in fiscal years 2015, 2014, and 2013, respectively.

Option Awards (Column (f))

The amounts in this column reflect the grant date fair value for stock options granted during the respective fiscal years and do not reflect whether the recipient has actually realized a financial gain from such awards (such as by exercising stock options). For Mr. Gibson, his option award value of $843,659 for fiscal 2014 includes his annual stock option grant with a value of $266,159 and also a one-time LTIP grant in the form of non-qualified performance stock options with a value of $577,500.

The fair values for the annual grants of time-vested stock options were determined using a Black-Scholes option pricing model. The assumptions and resulting per share fair value for option grants included in the amounts disclosed are as follows:

	July 2014	**July 2013**	**July 2012**
Risk-Free Interest Rate	2.1%	2.0%	1.0%
Dividend Yield	3.7%	4.1%	4.3%
Volatility Factor	0.21	0.22	0.23
Expected Option Term Life in Years	6.0	6.5	6.5
Fair Value	$ 5.66	$ 4.94	$ 3.76

A LTIP grant was originally made in July 2011 in the form of non-qualified performance stock options in order to encourage the executives in achieving longer-term strategic goals. Subsequent to July 2011, grants were made under this LTIP only for newly hired executive officers. Mr. Gibson s LTIP award in July 2013 upon his hire may vest based on performance against targets for fiscal 2016. The grant-date fair value of Mr. Gibson s July 2013 award assumes target achievement (target is also the maximum achievement). The fair value was determined using a Black-Scholes option pricing model for the July 2016 potential vesting tranche. The assumptions and resulting fair value for the potential vesting tranche included in the amounts disclosed are a risk-free interest rate of 1.5%, dividend yield of 3.9%, volatility factor of 0.20, expected option term life of 4.5 years, and a fair value of $3.85 per share.

NEO Compensation

Non-Equity Incentive Plan Compensation (Column (g))

The amounts in this column are the amounts earned under the annual incentive program. These amounts were paid in July following the applicable fiscal year end. Refer to the discussion in the CD&A Elements of Compensation, subsection Annual Officer Performance Incentive Program for information on performance targets and achievement against those targets to determine the amount earned under this program for fiscal 2015.

All Other Compensation (Column (h))

The amounts reported in this column include the Company matching contributions under the 401(k) Plan. For fiscal 2014, this column also reflects amounts incurred on behalf of Mr. Gibson of $142,985 for relocation expenses including a tax gross-up of $12,986.

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GRANTS OF PLAN-BASED AWARDS FOR FISCAL 2015

The table below presents estimated possible payouts under the Company s annual incentive program for fiscal 2015 based on achievement of performance objectives at various levels for the Company and individual NEOs. It also summarizes equity awards granted during fiscal 2015 to each of the NEOs. This information does not set forth the actual payout awarded to the NEOs for fiscal 2015.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	C o C A
rant Type	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($/Sh)	
(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	
nnual ncentive rogram	7/9/2014	$ 450,000	$ 1,170,000	$ 1,800,000							
estricted tock	7/9/2014							18,072			$
erformance hares	7/9/2014				36,436	48,581	72,872				$ 1
tock ptions	7/9/2014								195,313	$ 41.70	$ 1
nnual ncentive rogram	7/9/2014	$ 166,250	$ 403,750	$ 617,500							
estricted tock	7/9/2014							4,096			$
	7/9/2014				8,259	11,012	16,518				$

erformance hares											
tock ptions	7/9/2014								44,271	$ 41.70	$
nnual ncentive rogram	7/9/2014	$ 157,500	$ 382,500	$ 585,000							
estricted tock	7/9/2014							4,096			$
erformance hares	7/9/2014				8,259	11,012	16,518				$
tock ptions	7/9/2014										