

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

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))
- 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):

- 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:

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Fee paid previously with preliminary materials.

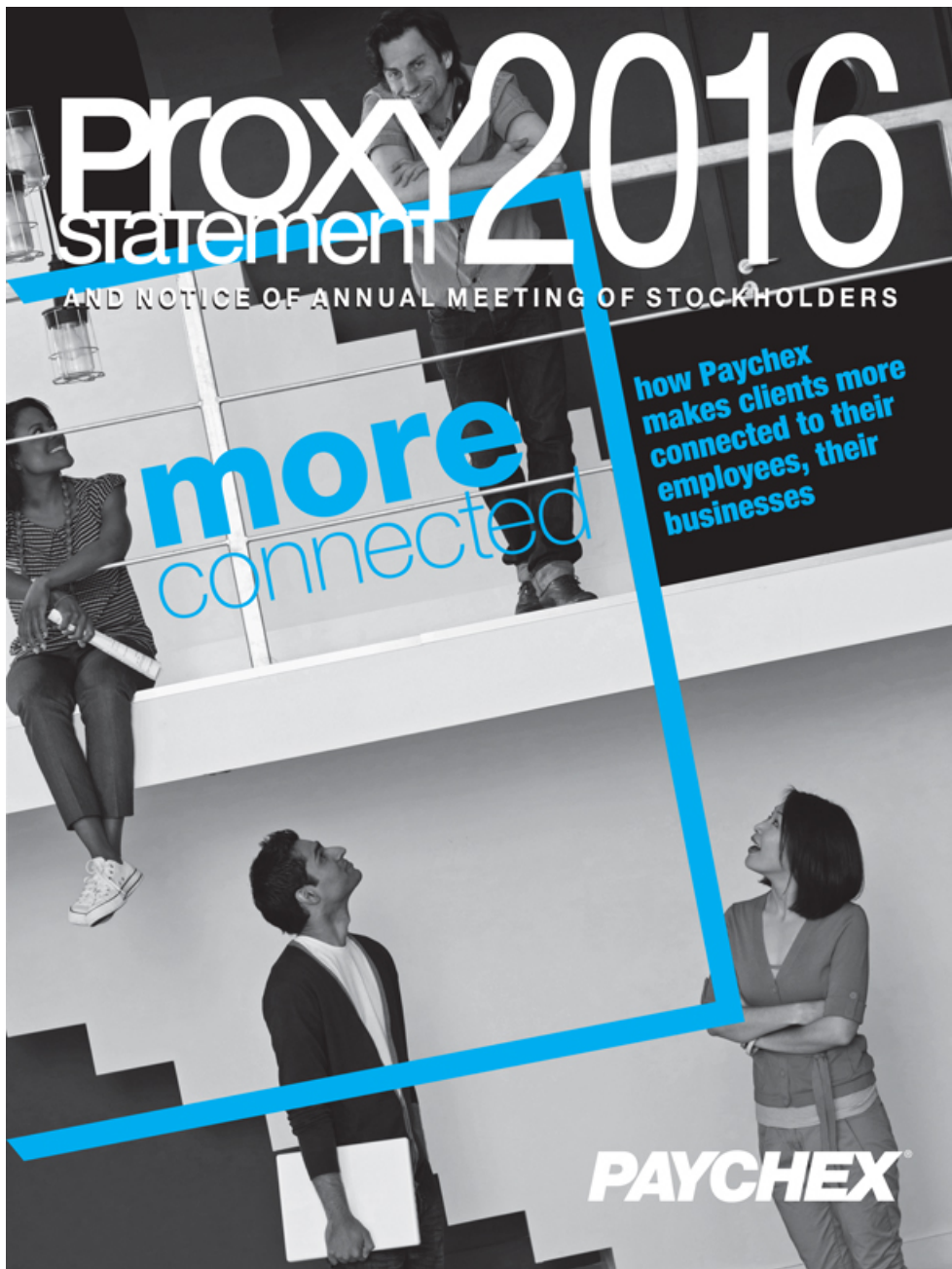
Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:





Payroll • HR • Retirement • Insurance

NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS

Wednesday, October 12, 2016 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 2016 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 ratify the selection of the independent registered public accounting firm; and
4. 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 15, 2016 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 9, 2016

**Important notice regarding the availability of proxy materials for the
2016 Annual Meeting of Stockholders to be held on October 12, 2016:**

**Paychex, Inc.'s Proxy Statement and Annual Report for the year ended May 31, 2016 are available at
<http://investor.paychex.com/annual-report.aspx>.**

Welcome to the Paychex, Inc. 2016 Annual Meeting of Stockholders

VOTE YOUR SHARES

HOW TO VOTE

Your vote is very important and we hope that you will attend the Annual Meeting. You are eligible to vote if you were a stockholder of record at the close of business on August 15, 2016. Please read the proxy statement and vote right away using any of the following methods.

Stockholders of Record:

 <p>VOTE BY INTERNET Visit the website listed on your proxy card.</p>	 <p>VOTE BY TELEPHONE Call the telephone number listed on your proxy card.</p>	 <p>VOTE BY MAIL Sign, date, and return your proxy card in the enclosed envelope.</p>	 <p>VOTE VIA MOBILE DEVICE Scan this QR code.</p>
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Make sure to have your proxy card or voting instruction card in hand and follow the instructions.

Beneficial Stockholders:

If you are a beneficial stockholder, you will receive instructions from your bank, broker, or other nominee that you must follow in order for your shares to be voted. Many of these institutions offer telephone and online voting. If you wish to vote in person at the annual meeting, you will need to obtain a legal proxy from your bank, broker, or other nominee to present when voting.



Table of Contents

PROXY STATEMENT SUMMARY	1
PROXY STATEMENT	3
PROPOSAL 1: ELECTION OF DIRECTORS FOR A ONE-YEAR TERM	3
DIRECTOR COMPENSATION FOR THE FISCAL YEAR ENDED MAY 31, 2016	8
BENEFICIAL OWNERSHIP OF PAYCHEX COMMON STOCK	11
SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE	12
CORPORATE GOVERNANCE	13
Board Leadership Structure	13
Board Oversight of Risk	13
Board Meetings and Committees	14
Nomination Process	15
Policy on Transactions with Related Persons	16
Governance and Compensation Committee Interlocks and Insider Participation	17
Communications with the Board of Directors	17
CODE OF BUSINESS ETHICS AND CONDUCT	17
PROPOSAL 2: ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION	18
COMPENSATION DISCUSSION AND ANALYSIS	20
NAMED EXECUTIVE OFFICER COMPENSATION	39
Fiscal 2016 Summary Compensation Table	39
Grants of Plan-Based Awards For Fiscal 2016	41
Option Exercises and Stock Vested In Fiscal 2016	43
Outstanding Equity Awards as of May 31, 2016	44
Potential Payments upon Termination or Change In Control Fiscal 2016	46
Non-Qualified Deferred Compensation Fiscal 2016	48
PROPOSAL 3: RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	50
Fees for Professional Services	50
Report of The Audit Committee	51
FREQUENTLY ASKED QUESTIONS	52
APPENDIX A: PAYCHEX, INC. RECONCILIATION OF PERFORMANCE MEASURES TO THOSE REPORTED IN THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS	A-1
APPENDIX B: PAYCHEX, INC. PEER GROUP	B-1

PROXY STATEMENT SUMMARY

This summary highlights information contained elsewhere in this 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 performance of Paychex, Inc. (the "Company" or "Paychex") for the fiscal year ended May 31, 2016 ("fiscal 2016"), please review the Company's Annual Report on Form 10-K for fiscal 2016.

Paychex, Inc. 2016 Annual Meeting of Stockholders

	October 12, 2016 10:00 a.m., Eastern Time		The Strong, One Manhattan Square, Rochester, New York 14607
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Meeting Agenda and Voting Matters

Item	Management Proposal	Board Vote Recommendation	Page Reference (for more detail)
Proposal 1	Election of directors for a one-year term	FOR each director nominee	3
Proposal 2	Advisory vote to approve named executive officer compensation	FOR	18
Proposal 3	Ratification of selection of Independent Registered Public Accounting Firm	FOR	50

Fiscal 2016 Business Highlights

\$ in millions, except per share amounts	For the fiscal year ended May 31,		% Change
	2016	2015	
Service revenue	\$ 2,906	\$ 2,698	8%
Operating income, net of certain items ⁽¹⁾	\$ 1,101	\$ 1,012	9%
Net income	\$ 757	\$ 675	12%
Stock price (high/low) ⁽²⁾	\$54.78/\$41.59	\$51.72/\$40.10	n/a
Stock price as of fiscal year end	\$ 54.22	\$ 49.41	10%

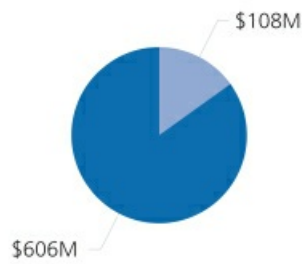
(1) Operating income, net of certain items, differs from what is reported under United States ("U.S.") generally accepted accounting principles ("GAAP") as operating income. Refer to Appendix A for a description of this non-GAAP financial measure and for a reconciliation of this measure to our operating 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, 2016 and 2015.

Paychex has also focused on returning value to our stockholders and continued with shareholder-friendly actions during fiscal 2016. In July 2015, the Company increased its quarterly dividend by 11% to \$0.42 per share. In July 2016, the Company again increased its quarterly dividend by \$0.04 per share, or 10%, to \$0.46 per share. The Company continued to repurchase its common stock opportunistically and in fiscal 2016 purchased 2.2 million shares for \$107.9 million.

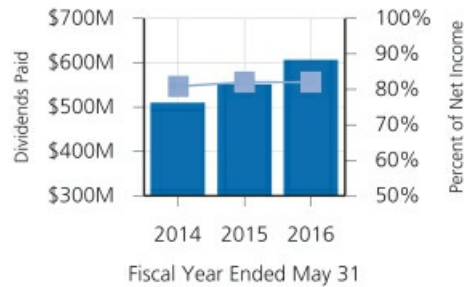
Proxy Summary

**Returned to Shareholders in Fiscal 2016
Over \$700 million**



■ Share Repurchases ■ Dividends ■ As a Percent of Net Income

Stockholder Dividends



Note: Dividends as a percentage of net income for fiscal 2016 are calculated on net income, excluding a discrete item for a net tax benefit recognized in the first quarter of fiscal 2016 derived from prior years' income from customer-facing software we produced.

Pay-for-Performance

Key pay-for-performance events related to named executive officer compensation that were tied to Company performance for fiscal 2016 were:

- Payouts under the Annual Officer Incentive Program were at 103% of target for our Chief Executive Officer and 101% of target for our Senior Vice Presidents.
- Performance shares granted in July 2014 reached the end of the two-year performance period in May 2016. Achievement was in excess of target and resulted in a payout at 110% of target. The shares earned are restricted for an additional one-year period.
- Performance non-qualified stock options earned at 63.0% of the target for the Long-Term Incentive Plan award granted in July 2011 based on targets for fiscal 2016. Previously, 23.5% of the target had been accelerated and vested based on targets established for the fiscal year ended May 31, 2014. The remaining 39.5% earned vested in July 2016.

For more information on compensation for our named executive officers, and how it ties to performance, refer to the Compensation Discussion and Analysis and Named Executive Officer Compensation sections of this proxy statement.

Additional Information

Please refer to the Frequently Asked Questions section beginning on page 52 for important information about proxy materials, voting, annual meeting procedures, Company documents, communications, and the deadlines to submit shareholder proposals for the 2017 Annual Meeting of Stockholders. Additionally, questions may be directed to Investor Relations at (800) 828-4411 or by written request to 911 Panorama Trail South, Rochester, NY 14625, Attention: Investor Relations. General information regarding the meeting and links to key documents can be found on the 2016 Annual Meeting of Stockholders web page at <http://investor.paychex.com/annual-meeting.aspx>.

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 statement to stockholders in connection with the solicitation of proxies on behalf of the Board of Directors of the Company (the “Board”) for the 2016 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 9, 2016.

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 one-year term. 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.

2016 Nominees for Director

At the 2016 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 2015 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 his or her successor is elected and has qualified or until his or her earlier resignation or removal. 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.

Election of Directors

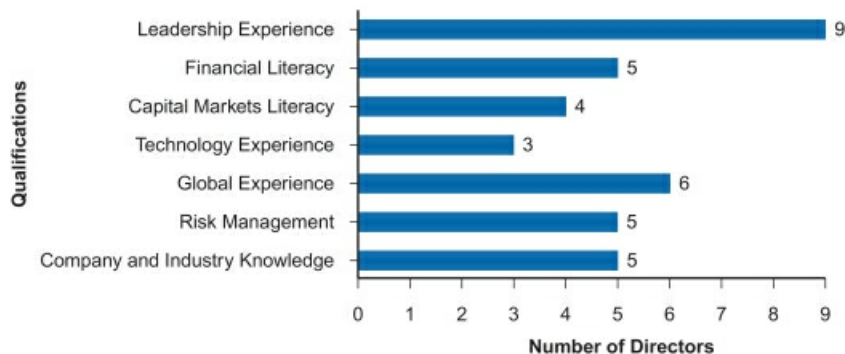
The Board believes that the combination of the various qualifications, skills, and experience of the 2016 director nominees will continue to contribute to an effective and well-functioning Board. We have provided biographical information on each of the nominees. Included within this information, we identify 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 group of directors, with a broad-range of experience, 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 highest personal and professional ethics; share the values of the Company; have relevant experience; be 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.

Balance of Relevant Skills



B. Thomas Golisano	
Age 74	<p>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 joined the Twinlab Consolidated Holdings, Inc. board in April 2016 and serves as a director of numerous non-profit organizations and private companies. He is founder and member of the board of trustees of the B. Thomas Golisano Foundation.</p> <p>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.</p> <p>CURRENT OTHER PUBLIC COMPANY DIRECTORSHIPS: Twinlab Consolidated Holdings, Inc.</p>
Director since 1979	
<p><i>Board Committees:</i></p> <ul style="list-style-type: none"> • Executive 	

Joseph G. Doody	
Age 64	<p>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 and is the Chair of the Foundation Board at the College of Brockport.</p> <p>SPECIFIC QUALIFICATIONS AND SKILLS: 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.</p> <p>CURRENT OTHER PUBLIC COMPANY DIRECTORSHIPS: Casella Waste Systems, Inc.</p>
Director since 2010	
<p><i>Board Committees:</i></p> <ul style="list-style-type: none"> • Audit 	

David J.S. Flaschen	
Age 60	<p>Mr. Flaschen is an investor and advisor to a number of private companies providing business, marketing, and information services. Mr. Flaschen is also the co-founder of Tap Quality, LLC, which specializes in mobile and internet lead generation for the solar energy industry, and Regrub, LLC, a Smashburger franchisee group in the U.S. 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 of Informa plc, a public company listed on the London Stock Exchange.</p> <p>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.</p> <p>CURRENT OTHER PUBLIC COMPANY DIRECTORSHIPS: Informa plc (London Exchange)</p>
Director since 1999	
<p><i>Board Committees:</i></p> <ul style="list-style-type: none"> • Audit (Chairman) • Investment • Corporate Development Advisory • G&C 	

[Table of Contents](#)

Election of Directors

Phillip Horsley	
Age 77	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 <i>(previously served from 1982-2009, reappointed in 2011)</i>	SPECIFIC QUALIFICATIONS AND SKILLS: 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: <ul style="list-style-type: none">• Investment• G&C	CURRENT OTHER PUBLIC COMPANY DIRECTORSHIPS: None

Grant M. Inman	
Age 74	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. Mr. Inman was the independent lead director for Lam Research Corporation until November 2015.
Director since 1983	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: <ul style="list-style-type: none">• Investment (Chairman)• Audit• G&C	CURRENT OTHER PUBLIC COMPANY DIRECTORSHIPS: None

Pamela A. Joseph	
Age 57	<p>Ms. Joseph has served as President and Chief Operating Officer of Total System Services, Inc. ("TSYS"), since May 1, 2016. TSYS offers issuer services and merchant payment acceptance for credit, debit, prepaid, healthcare and business solutions. Previously, she 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 serves on the Board of Directors of TSYS and TransUnion. Ms. Joseph was a member of the Board of Directors of Centene Corporation until April 2016.</p> <p>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 and payment industries. Her wealth of technology experience brings insight to the Board and its committees. In addition, her experience with major acquisitions, board experience with the healthcare services field, and international expansion provides valuable input towards the Company's growth plans.</p> <p>CURRENT OTHER PUBLIC COMPANY DIRECTORSHIPS: TSYS and TransUnion</p>
Director since 2005	
<p><i>Board Committees:</i></p> <ul style="list-style-type: none"> • Audit • Corporate Development Advisory • Executive 	

Martin Mucci	
Age 56	<p>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.</p> <p>SPECIFIC QUALIFICATIONS AND SKILLS: 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.</p> <p>CURRENT OTHER PUBLIC COMPANY DIRECTORSHIPS: None</p>
Director since 2010	
<p><i>Board Committees:</i></p> <ul style="list-style-type: none"> • Executive (Chairman) • Corporate Development Advisory 	
Joseph M. Tucci	
Age 69	<p>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.</p> <p>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 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.</p> <p>CURRENT OTHER PUBLIC COMPANY DIRECTORSHIPS: EMC Corporation (Chairman of the Board) and VMware, Inc. (Chairman of the Board)</p>
Director since 2000	
<p><i>Board committees:</i></p> <ul style="list-style-type: none"> • G&C (Chairman) 	

Joseph M. Velli	
Age 58	<p>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 until 2014. From time to time, he also provides advisory services to private equity firms. Mr. Velli currently serves on the Board of Directors of Computershare Ltd. and he joined the Scivantage Board in January 2016. Mr. Velli served on the Board of Directors of E*TRADE Financial Corporation and E*TRADE Bank until October 2014.</p>
Director since 2007	
<p><i>Board Committees:</i></p> <ul style="list-style-type: none"> • Investment • Executive • Corporate Development Advisory (Chairman) • G&C 	
<p>SPECIFIC QUALIFICATIONS AND SKILLS:</p> <p>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 mergers and acquisitions 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.</p> <p>CURRENT OTHER PUBLIC COMPANY DIRECTORSHIPS:</p> <p>Computershare Ltd. (Australian Exchange) (Chairman of Remuneration Committee)</p>	

Director Compensation

DIRECTOR COMPENSATION FOR THE FISCAL YEAR ENDED MAY 31, 2016

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 2016 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 except Mr. Mucci for fiscal year ended May 31, 2016 ("fiscal 2016").

Name (a)	Fees Earned or Paid in Cash (\$) (b)	Stock Awards (\$) (c)	Option Awards (\$) (d)	Total (\$)
B. Thomas Golisano	\$ 300,000	\$ —	\$ —	\$300,000
Joseph G. Doody	\$ 85,000	\$ 62,038	\$ 67,211	\$214,249
David J.S. Flaschen	\$ 120,000	\$ 62,038	\$ 67,211	\$249,249
Phillip Horsley	\$ 87,500	\$ 62,038	\$ 67,211	\$216,749
Grant M. Inman	\$ 97,500	\$ 62,038	\$ 67,211	\$226,749
Pamela A. Joseph	\$ 92,500	\$ 62,038	\$ 67,211	\$221,749
Joseph M. Tucci	\$ 95,000	\$ 62,038	\$ 67,211	\$224,249
Joseph M. Velli	\$ 95,000	\$ 62,038	\$ 67,211	\$224,249

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

The amounts reported in this column reflect the annual cash compensation paid to the directors during fiscal 2016, whether or not such fees were deferred. Annual cash compensation for 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 for fiscal 2016 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
Corporate Development Advisory Committee member annual retainer	\$ 5,000
Audit Committee Chair annual retainer	\$20,000
G&C Committee Chair annual retainer	\$12,500

Mr. Golisano, who is not an independent director, receives an annual retainer of \$300,000 for his services as Chairman of the Board, paid in quarterly installments.

Equity Awards: Stock Awards (Column (c)) and Option 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 2016, 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 2015, all independent directors received an annual equity award under the Paychex, Inc. 2002 Stock Incentive Plan, as amended and restated October 13, 2010, composed of the following:

	Restricted Stock Awards	Option Awards
Grant Date	July 9, 2015	July 9, 2015
Exercise Price	NA	\$47.43
Quantity	1,308	11,489
Fair Value ⁽¹⁾	\$47.43	\$5.85
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.	n/a
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 \$5.85 per share for these options were: risk-free rate of 2.1%; dividend yield of 3.6%; volatility factor of 0.19; 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, 2016, each director had the following equity awards outstanding:

Director	Restricted Stock Outstanding (Shares)	Stock Options Outstanding (Shares)
Joseph G. Doody	1,308	66,780
David J.S. Flaschen	1,308	87,201
Phillip Horsley	1,308	61,015
Grant M. Inman	1,308	87,201
Pamela A. Joseph	1,308	87,201
Joseph M. Tucci	1,308	93,201
Joseph M. Velli	1,308	90,201

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 2016, no independent directors deferred compensation under the plan.

Director Compensation

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.

Pledging of Company Stock

During fiscal 2016, the Company approved a pledging policy for all Paychex directors, officers, and employees. This policy prohibits pledging Company securities as collateral for a loan or a line of credit without obtaining prior Company approval. Approval may be granted when the individual clearly demonstrates the intent and financial capacity to satisfy the obligations without resort to the pledged securities and where the total pledge represents no more than 25% of the pledgor's beneficial ownership interest in the Company. This policy is effective prospectively. The Company's pledging policy is posted on the Company's website at <http://investor.paychex.com/governance>.

BENEFICIAL OWNERSHIP OF PAYCHEX COMMON STOCK

The following table contains information, as of July 31, 2016, 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 ("NEOs"); 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, 2016 ⁽³⁾	Total Shares Beneficially Owned	Percent of Class
Principal Shareholders:					
B. Thomas Golisano ^{(4),(5),(6)} 1 Fishers Road Pittsford, NY 14534	37,932,285	—	—	37,932,285	10.4%
Vanguard Group Inc. ⁽⁷⁾ PO Box 2600 V26 Valley Forge, PA 19482-2600	20,591,789	—	—	20,591,789	5.6%
BlackRock ⁽⁸⁾ 400 Howard Street San Francisco, CA 94105	20,229,983	—	—	20,229,983	5.5%
Directors:					
B. Thomas Golisano ^{(4),(5),(6)}	37,932,285	—	—	37,932,285	10.4%
Joseph G. Doody	12,304	1,089	22,339	35,732	**
David J.S. Flaschen	35,909	1,089	87,201	124,199	**
Phillip Horsley ⁽⁶⁾	107,862	1,089	61,015	169,966	**
Grant M. Inman ⁽⁶⁾	202,374	1,089	87,201	290,664	**
Pamela A. Joseph	18,702	1,089	87,201	106,992	**
Martin Mucci	177,298	84,302	1,183,816	1,445,416	**
Joseph M. Tucci	46,532	1,089	87,201	134,822	**
Joseph M. Velli	20,535	1,089	90,201	111,825	**
Named Executive Officers:					
Martin Mucci	177,298	84,302	1,183,816	1,445,416	**
Efrain Rivera	34,608	19,200	335,068	388,876	**
Mark A. Bottini	30,441	18,865	267,000	316,306	**
John B. Gibson	2,503	18,698	168,786	189,987	**
Michael E. Gioja ⁽⁵⁾	37,286	18,698	287,221	343,205	**
All directors, NEOs, and executive officers of the Company as a group (16 persons)	38,736,494	195,688	3,215,735	42,147,917	11.6%

Table of Contents

Beneficial Ownership

** 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, 2016. 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 and Mr. Gioja has 6,700 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 — 66,945 shares; Mr. Horsley — 107,862 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 10, 2016 by Vanguard Group Inc.
- (8) Beneficial ownership is based on the combined information contained in the Form 13Fs filed with the SEC on August 10, 2016 by BlackRock Fund Advisors (10,110,305 shares) and BlackRock Institutional Trust Company, N.A. (10,119,678 shares).

Equity Compensation Plans Information

The Company maintains equity compensation plans in the form of stock incentive plans. Under the Paychex, Inc. 2002 Stock Incentive Plan, as amended and restated (the "2002 Plan"), non-qualified or incentive stock options, restricted stock, restricted stock units, performance shares, and performance stock options have been awarded to employees and the Board. The latest restatement of the 2002 Plan was adopted on July 8, 2015 by the Board and became effective upon stockholder approval at the Company's Annual Meeting of Stockholders held on October 14, 2015. More information on the Company's stock incentive plans is available in the Company's Annual Report on Form 10-K.

The following table details information on securities authorized for issuance under the Company's stock incentive plans as of May 31, 2016:

In millions, except per share amounts	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders ⁽¹⁾	7.0	\$35.24	22.2

(1) Amounts include performance awards granted, assuming achievement of performance goals at target. Actual amount of shares to be earned may differ from the target amount.

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 2016, its directors, executive officers, and greater than 10% beneficial owners have complied in a timely manner with all applicable Section 16 filing requirements.

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 Restated Certificate of Incorporation, Bylaws, as amended, 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 Lead Independent Director (Mr. Tucci); and
- Audit, G&C, Corporate Development Advisory, 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.

The Board and its standing committees that meet regularly conduct annual self-evaluations to assess the qualifications, attributes, skills, and experience represented on the Board and to determine whether the Board and its committees are functioning effectively.

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, reviews the Company's strategic plan, and regularly communicates 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:

Committee	Primary Risk Oversight Area
Audit Committee	<ul style="list-style-type: none"> • Risk related to financial statement accuracy and reporting; • Internal controls; • Legal, regulatory, and compliance risks; • Information security, technology, and privacy and data protection; and • Other operational and fraud risks.
Investment Committee	<ul style="list-style-type: none"> • Risk related to investing activities.
G&C Committee	<ul style="list-style-type: none"> • Risks arising from the Company's compensation policies and practices for all employees and non-employee directors; and • Governance structure and processes including succession planning, director independence, and related person transactions.

[Table of Contents](#)

Corporate Governance

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 the Company's 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 five meetings in fiscal 2016. To the extent practicable, directors are expected to attend all Board meetings and meetings of the committees on which they serve. During fiscal 2016, each director attended 100% 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 2015 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 five standing committees with the following responsibilities and director assignments:

<i>Audit Committee</i>	
Committee Members: ⁽¹⁾ David J.S. Flaschen (Chair) ⁽²⁾ Joseph G. Doody Grant M. Inman Pamela A. Joseph 7 Meetings in fiscal 2016	<ul style="list-style-type: none">• Serve as an independent and objective party to monitor the Company's financial reporting process, internal control system, and financial risk management processes.• Review the performance and independence of the Company's independent accountants and internal audit department.• Provide an open avenue of communication among the independent accountants, financial and senior management, the internal auditors, and the Board.• Review significant risk exposures and processes to monitor, control, and report such exposures, periodically reporting on such information to the Board.
<i>Executive Committee</i>	
Committee Members: Martin Mucci (Chair) B. Thomas Golisano Pamela A. Joseph Joseph M. Velli 1 Meeting in fiscal 2016	<ul style="list-style-type: none">• Exercise all the powers and authority of the Board except as limited by law.
<i>Investment Committee</i>	
Committee Members: Grant M. Inman (Chair) David J.S. Flaschen Phillip Horsley Joseph M. Velli 1 Meeting in fiscal 2016	<ul style="list-style-type: none">• Review the Company's investment policies and strategies, and the performance of the Company's investment portfolios.• Determine that the investment portfolios are managed in compliance with the established investment policy.

Governance and Compensation Committee	
<p>Committee Members: ⁽³⁾ Joseph M. Tucci (Chair) David J.S. Flaschen Phillip Horsley Grant M. Inman Joseph M. Velli</p> <p>3 Meetings in fiscal 2016</p>	<ul style="list-style-type: none"> • 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. • Review annually the independence of directors.
Corporate Development Advisory Committee ⁽⁴⁾	
<p>Committee Members: Joseph M. Velli (Chair) David J.S. Flaschen Pamela A. Joseph Martin Mucci</p> <p>1 Meeting in fiscal 2016</p>	<ul style="list-style-type: none"> • Review and provide guidance to management and the Board with respect to the Company's acquisition or divestiture opportunities, as appropriate, and review related strategy. • Authority to approve acquisitions or divestitures in accordance with the parameters set by the Board.

(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) This committee was first established in January 2016.

The Audit, Investment, G&C, and Corporate Development Advisory 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.

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."

Corporate Governance

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 practice 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 they provide 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. This includes 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 should be disclosed 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 2016, 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 2016, 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, CEO, and President of EMC Corporation. During fiscal 2016, the Company purchased through negotiated transactions approximately \$4.9 million of data processing equipment and software from EMC Corporation. Mr. Tucci was not personally involved in the negotiation of these transactions.
- Mr. Doody, a member of our Board, is the Vice Chairman of Staples, Inc. During fiscal 2016, the Company purchased through negotiated transactions approximately \$2.3 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 2016, the Company spent approximately \$0.2 million 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 2016, the Company received \$0.9 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 2016, 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 2016, 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 Regulation S-K by posting such information on its website at the address specified above.

Say-on-Pay Vote

PROPOSAL 2: 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 (“CD&A”) and the Named Executive Officer Compensation sections of this proxy statement.

- **Voting Recommendation**

The Board of Directors recommends a vote **FOR** the advisory vote approving the 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 2017 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.
- Prohibition of pledging Company stock as collateral without prior approval by the Company.
- 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.

Results of the 2015 Say-on-Pay Vote

At the 2015 Annual Meeting of Stockholders held in October 2015, over 96% of the total stockholder votes cast were in favor of the Company's NEO compensation as presented in our 2015 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 2016, 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.

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 proposal to approve the NEO compensation on an advisory basis, as disclosed in this proxy statement.**

COMPENSATION DISCUSSION AND ANALYSIS

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 2016, 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

COMPENSATION DISCUSSION AND ANALYSIS TABLE OF CONTENTS

Executive Summary	21
Business and Financial Highlights	21
How Pay is Tied to Company Performance	24
Highlights of Executive Compensation Practices	27
Elements of Compensation	28
Summary of Fiscal 2016 Elements of Compensation	28
Fiscal 2016 Compensation Results	28
Stock Ownership Guidelines	33
Prohibition on Hedging or Speculating in Company Stock	33
Pledging of Company Stock	33
Recoupment, Non-Compete, and Other Forfeiture Provisions	33
Perquisites	34
Deferred Compensation	34
Change in Control Plan	34
Compensation Decision Process	34
Role of the Compensation Consultant	34
Role of Governance and Compensation Committee and Management	35
Peer Group	36
CEO Compensation	37
Subsequent Events	37
Impact of the Internal Revenue Code	37
THE GOVERNANCE AND COMPENSATION COMMITTEE REPORT	38

Executive Summary

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 2016. Reported financial results for fiscal 2016 and the respective growth percentages compared to the fiscal year ended May 31, 2015 ("fiscal 2015") were as follows:

\$ in millions, except per share amounts	For the fiscal year ended May 31,		% Change
	2016	2015	
Payroll service revenue	\$ 1,730	\$ 1,657	4%
Human Resource Services revenue	1,176	1,041	13%
Total service revenue ⁽¹⁾	2,906	2,698	8%
Interest on funds held for clients	46	42	9%
Total revenue	\$ 2,952	\$ 2,740	8%
Operating income, net of certain items ^{(1), (2)}	\$ 1,101	\$ 1,012	9%
Net income ⁽³⁾	\$ 757	\$ 675	12%
Diluted earnings per share ⁽³⁾	\$ 2.09	\$ 1.85	13%
Operating cash flows	\$ 1,018	\$ 895	14%

(1) Total service revenue and operating income, net of certain items, are key financial measures that are metrics in the Company's performance-based compensation plans.

(2) Operating income, net of certain items, differs from what is reported under U.S. GAAP as operating income. Refer to Appendix A 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.

(3) Net income and diluted earnings per share for fiscal 2016 reflect a net tax benefit recognized for prior tax years related to customer-facing software we produced. Excluding this net tax benefit, net income and diluted earnings per share would have grown 9% and 10%, respectively, for fiscal 2016 compared to fiscal 2015.

[Table of Contents](#)

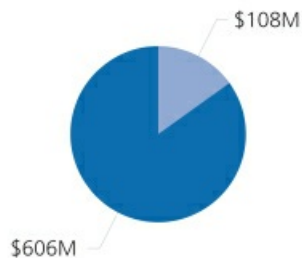
CD&A

Fiscal 2016 Actions Related to Long-Term Strategy: The table below discusses fiscal 2016 performance as it relates to the key areas of focus that comprise our long-term strategy.

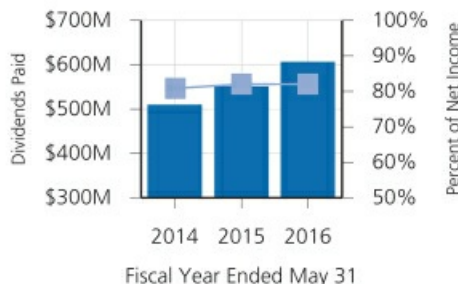
Strategy Focus	Fiscal 2016 Summary of Accomplishments
Flexible, convenient service	We had solid execution in operations, as demonstrated by client retention results in excess of 82% of our beginning client base for fiscal 2016. These results were consistent with fiscal 2015's record high retention. Our total payroll client base grew 2% to approximately 605,000 clients as of May 31, 2016, as a result of both solid sales execution and high client retention.
Solid sales execution	We have made strong progress in the area of sales execution, with fiscal 2016 seeing strong growth, especially in the mid-market space.
Industry-leading, integrated technology	We continue to focus on our Paychex Flex SM platform, our cloud-based human capital management ("HCM") suite of services and mobility offerings. In fiscal 2016, we completed the integration of key HCM modules with the release of Paychex Flex Time, Paychex Flex Benefits Administration and Paychex Flex Hiring. We believe this leading-edge technology, along with our personalized, flexible service, positively impacted our performance in the mid-market space, where we experienced especially strong sales results for fiscal 2016. Paychex Flex continues to receive positive recognition in the marketplace.
Comprehensive suite of value-added HCM services	We offer a complete suite of HCM services, which help manage the employer/employee relationship through all phases of an employee life cycle. The most recent addition to our suite of services was our full-service Paychex Employer Shared Responsibility ("ESR") offering, which aides clients with navigation of the complexities of the Affordable Care Act ("ACA"). While first introduced in fiscal 2015, this service experienced strong growth during fiscal 2016. We have serviced our clients through the first year reporting requirements under ACA.
Continued service penetration	<p>Our team-selling approach has resulted in a greater value of services being sold up-front to clients and thus greater penetration of our broad portfolio of HCM services. Paychex Flex also allows for customizable solutions for clients where additional services can easily be added.</p> <p>We continue to see client growth in our Human Resource Services including retirement services, insurance services, and our comprehensive human resource outsourcing services. The number of client worksite employees served within our comprehensive human resource outsourcing solutions achieved double-digit growth for fiscal 2016.</p>
Strategic acquisitions	In December 2015, we acquired substantially all of the net assets of Advance Partners, a leading provider of integrated financial, operational, and strategic services to support independent staffing firms. Advance Partners offers customizable solutions to the temporary staffing industry, including payroll funding and outsourcing services. This acquisition allows us greater access to the temporary staffing industry, which services a large number of small- to medium-sized businesses, which is our target market.

Return to Stockholders: The value we return to our stockholders is very important to us. During fiscal 2016, we returned over \$700 million to our stockholders through dividends and repurchases of outstanding shares of our common stock.

**Returned to Shareholders in Fiscal 2016
Over \$700 million**



Stockholder Dividends



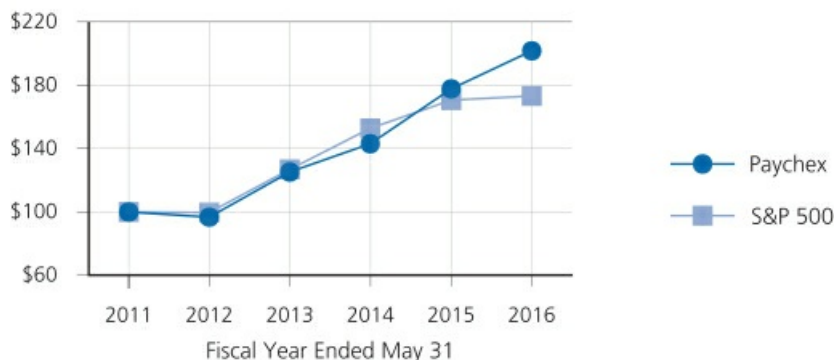
■ Share Repurchases ■ Dividends —■— As a Percent of Net Income

Note: Dividends as a percentage of net income for fiscal 2016 are calculated on net income, excluding a discrete item for a net tax benefit recognized in the first quarter of fiscal 2016 derived from prior years' income from customer-facing software we produced.

Paychex continues to pay substantial dividends to our stockholders, in excess of 80% of our net income. In July 2015, the Board approved an 11% increase in our quarterly dividend to \$0.42 per share, up from \$0.38 per share. In July 2016, the Board again approved an increase in our quarterly dividend of \$0.04 per share, or 10%, to \$0.46 per share. 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 2016, we repurchased 2.2 million shares for \$107.9 million. In July 2016, we announced that our Board authorized the repurchase of up to \$350 million of our common stock, with the authorization expiring May 31, 2019.

The following chart shows how a \$100 investment in the Company's common stock on May 31, 2011 would have grown to \$202 as of May 31, 2016, with dividends reinvested quarterly. The chart also compares the total stockholder return on the Company's common stock to the same investment in the S&P 500 Index over the same period, with dividends reinvested quarterly. For Paychex, this represents a total of 102% return, or 15% on an annualized basis.

Total Return Performance



For more information about our fiscal 2016 business results, see the section of our Fiscal 2016 Annual Report on Form 10-K ("Form 10-K") titled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

CD&A

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:

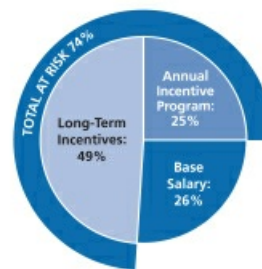
- A significant portion of our NEO annual compensation is "at risk" based on performance. For fiscal 2016, variable pay represented 84% of target total compensation for our CEO, and 74% of target total compensation on average for our other NEOs.
- Variable compensation is comprised of an annual cash 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 2016 is displayed below.

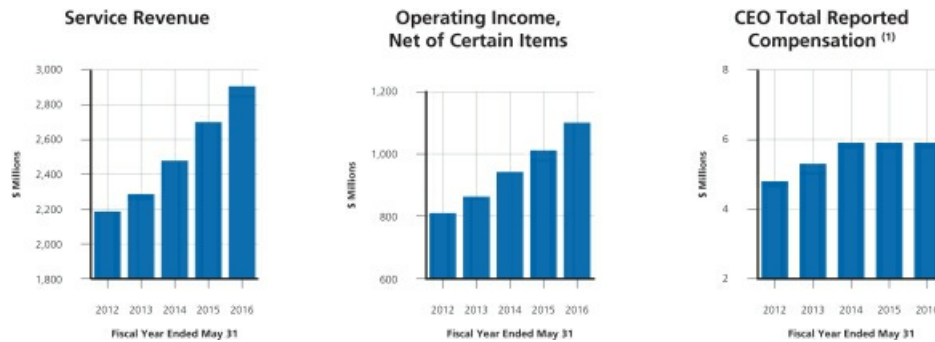
CEO Pay Mix at Target



Other NEOs' Pay Mix at Target



Mr. Mucci became CEO in September 2010 and recently completed his fifth fiscal year as CEO. The following illustrates the trend in Company performance, based on two of our key financial metrics, and the total reported compensation of our CEO over his five-year tenure.



(1) CEO total compensation as reflected in this chart is equal to the amounts reported in the Summary Compensation Table included in the Named Executive Officer section of this and prior years' proxy statements, with the exception of the amount for the fiscal year ended May 31, 2012 ("fiscal 2012"). For fiscal 2012, this chart excludes the impact of a Long-Term Incentive Plan ("LTIP") award in the form of non-qualified performance stock options granted during that year.

Amounts realized in fiscal 2016 related to performance-based compensation programs for fiscal 2016 and prior years included the following:

- Payouts under the annual incentive program for fiscal 2016 were earned at 103% of target for the CEO and 101% of target for the Senior Vice Presidents ("SVPs"). Achievement was measured against financial targets established at the beginning of fiscal 2016.
- The two-year performance period for the performance shares granted in July 2014 ended on May 31, 2016. The financial targets were set at the beginning of this two-year period. Achievement against these targets resulted in restricted shares earned at 110% of target.
- The fiscal 2016 performance period for the LTIP granted in July 2011 ended on May 31, 2016. The financial targets were set at the grant date in July 2011 and were based on economic trends experienced at that time. Achievement against these targets resulted in stock options earned at 63.0% of target based on achievement against target for fiscal 2016. Previously, vesting of a portion of this award accelerated based on achievement against targets established for the fiscal year ended May 31, 2014 ("fiscal 2014"). Shares vested in July 2014 were 23.5% of the total target amount. The remaining 39.5% of target vested in July 2016.

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.

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. Long-term equity-based incentives make up the largest component of pay for the NEOs. For the CEO, Mr. Mucci, this accounts for 64% of his target compensation. The main difference between reported compensation in the Summary Compensation Table and compensation realized is in the value of equity awards. In reported compensation, equity-based awards are included in the year granted at grant-date fair value. The amount that can be realized upon exercise of stock options or vesting of restricted stock awards can differ significantly from the amounts initially reported in the year of grant.

[Table of Contents](#)

CD&A

The following table illustrates how the equity-based awards granted to Mr. Mucci in the last three fiscal years were tracking as of May 31, 2016.

Fiscal Year	Awards	Value Reported at Grant Date ⁽¹⁾	Value Realized Through May 31, 2016 ⁽²⁾	Intrinsic Value as of May 31, 2016 ⁽³⁾			Increase in Realized and Unrealized Value Since Grant Date
				Vested Shares	Unvested Shares ⁽⁴⁾	Total Intrinsic Value Not Yet Realized	
2014							
	Stock Options	\$1,174,236	\$ —	\$1,871,832	\$1,871,832	\$3,743,664	219%
	Restricted Stock	\$ 784,877	\$609,836	\$ —	\$ 368,642	\$ 368,642	25%
	Performance Shares	\$1,956,918	\$ —	\$ —	\$3,478,321	\$3,478,321	78%
2015							
	Stock Options	\$1,105,472	\$ —	\$ 611,327	\$1,833,992	\$2,445,319	121%
	Restricted Stock	\$ 753,602	\$285,718	\$ —	\$ 653,253	\$ 653,253	25%
	Performance Shares	\$1,879,113	\$ —	\$ —	\$2,897,463	\$2,897,463	54%
2016							
	Stock Options	\$1,069,161	\$ —	\$ —	\$1,426,927	\$1,426,927	33%
	Restricted Stock	\$ 742,640	\$ —	\$ —	\$ 850,929	\$ 850,929	15%
	Performance Shares	\$1,855,384	\$ —	\$ —	\$2,287,379	\$2,287,379	23%

(1) The value reported at grant date represents the amounts reported in the Summary Compensation Table for the respective fiscal year. These values were reported at grant-date fair value of the award.

(2) The value realized through May 31, 2016 represents the value realized on stock option exercises or vesting of restricted stock and performance shares. Mr. Mucci has not exercised any stock options granted in fiscal years 2014, 2015, and 2016. The value reflected for restricted stock is the stock price on the date shares vested multiplied by the number of shares that vested during the period between date of grant and May 31, 2016.

(3) Intrinsic value not yet realized for stock options is based on the closing stock price of \$54.22 per share as of May 31, 2016 less the exercise price for the respective grants. Intrinsic value for restricted stock and performance shares is based on the closing stock price of \$54.22 per share as of May 31, 2016 multiplied by the number of shares not yet vested.

(4) The intrinsic value of unvested shares remains at risk as these awards are currently not exercisable.

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 2016, and these practices, among other elements of our compensation programs, aid in mitigating risk associated with our compensation programs.

WHAT WE DO

- ☑ **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.
- ☑ **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.
- ☑ **Balance of short-term and long-term incentives.** Our incentive programs provide an appropriate balance of annual and longer-term incentives.
- ☑ **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.
- ☑ **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 — five times base salary; SVPs — three times base salary; and Vice Presidents ("VP"s) — two times base salary.
- ☑ **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.
- ☑ **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.
- ☑ **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.

WHAT WE DON'T DO

- ☒ **No employment agreements.** We do not have employment contracts for our NEOs. Employment of all of our executive officers is "at will."
- ☒ **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.
- ☒ **No hedging, pledging 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. Pledging is prohibited without prior Company approval and not for more than 25% of the pledgor's total beneficial ownership.
- ☒ **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 2016 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 2016 are discussed below.

Summary of Fiscal 2016 Elements of Compensation

Compensation Elements	Salary	Annual Incentive Program	Stock Options	Restricted Stock Awards	Performance Shares	LTIP
	Fixed	Variable, At-Risk				
Recipients	All NEOs					
When granted	Reviewed annually	Annually				Board discretion
Form of Delivery	Cash		Equity			
Type of performance	Short-Term		Long-Term Incentives			
Performance period	Ongoing	1 year	Vest ratably over 4 years	Vest ratably over 3 years	2 year performance period followed by 1 year service period	5-years - achievement in fiscal 2016
How payout is determined	G&C Committee judgment	Quantitative based on achievement against targets; small portion qualitative	Based on stock price on exercise/vest date		Quantitative based on achievement against targets	
Performance Metrics	N/A	Service revenue; operating income, net of certain items; and annualized new business revenue	N/A	N/A	Service revenue; operating income, net of certain items	Service revenue; operating income, net of certain items

Fiscal 2016 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.

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 \$450 million for fiscal 2016 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 2016. 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 and make changes.

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 2016, the G&C Committee awarded each of the NEOs the maximum qualitative portion of the award. The qualitative component of the annual incentive program is not considered material to the overall compensation for each NEO.

The weight given each quantitative performance target is determined by the G&C Committee when the targets are established, and this weight 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:

Position	Quantitative Component			Qualitative Component
	Threshold	Target	Maximum	
CEO	30%	110%	180%	20%
SVP	30%	85%	130%	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. For fiscal 2016, the percentage of base pay for SVPs was raised 5% at threshold and 10% at both target and maximum compared to the 2015 annual incentive plan.

The performance metrics for the fiscal 2016 annual incentive program for the NEOs were established as follows:

Bonus Objectives ⁽¹⁾	Fiscal 2016 Year-over-Year Growth Rates			% of Plan Dollars			Achievement as a % of Target
	Threshold	Target	Maximum	Threshold	Target	Maximum	
Service revenue	3%	7%	9%	96.0%	100.0%	102.0%	99.7%
Operating income, net of certain items	4%	8%	10%	96.0%	100.0%	102.0%	100.0%
Annualized new business revenue ⁽²⁾	4%	10%	13%	94.5%	100.0%	102.7%	100.6%

(1) The annual incentive program allows for certain adjustments to metrics as reported in our consolidated financial statements. Immaterial adjustments were made in fiscal 2016 related to the acquisition of Advance Partners in December 2015.

(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, 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.

[Table of Contents](#)

CD&A

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.

Bonus Objectives	Mr. Mucci		Mr. Rivera, Mr. Gibson, and Mr. Gioja		Mr. Bottini	
	% 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⁾
Service revenue	35.0%	33.1%	30.0%	28.5%	25.0%	23.9%
Operating income, net of certain items	45.0%	45.0%	30.0%	30.0%	30.0%	30.0%
Annualized new business revenue	30.0%	35.6%	25.0%	27.2%	30.0%	34.4%
Total quantitative annual incentive	110.0%	113.7%	85.0%	85.7%	85.0%	88.3%
Qualitative ⁽²⁾	20.0%	20.0%	10.0%	10.0%	10.0%	10.0%
Total	130.0%	133.7%	95.0%	95.7%	95.0%	98.3%

(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 the 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	133.7%	\$ 1,203,210
Efrain Rivera	\$ 475,000	\$ —	\$ 665,000	95.7%	\$ 454,670
Mark A. Bottini	\$ 450,000	\$ —	\$ 630,000	98.3%	\$ 442,440
John B. Gibson	\$ 425,000	\$ —	\$ 595,000	95.7%	\$ 406,810
Michael E. Gioja	\$ 425,000	\$ —	\$ 595,000	95.7%	\$ 406,810

(1) This represents the NEO's annualized base salary as of May 31, 2016. It may differ from base salary paid for fiscal 2016 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 2016 Summary Compensation Table, contained in the Named Executive Officer Compensation section of this proxy statement.

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 2015, 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 as follows:

Equity Award Value Allocation



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 2015 grants, the G&C Committee determined the total estimated value to be approximately \$3,750,000 for the CEO and \$850,000 for SVPs.

The following equity-based compensation was granted in July 2015 for all NEOs:

NEO	Performance Shares (at Target)	Option Awards ⁽¹⁾	Time-Vested Restricted Stock Awards ⁽²⁾
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

(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.

[Table of Contents](#)

CD&A

The two-year performance period for performance shares granted in July 2014 was completed at the end of fiscal 2016. The shares earned were based on achievement against pre-established goals for the performance period as follows:

Performance Goal (\$ In Millions)	Two-Year Performance Targets Established			Actual Achievement	
	Threshold	Target	Maximum	(\$)	% of Target
Service revenue ⁽¹⁾	\$ 5,277	\$ 5,555	\$ 5,721	\$5,586	101%
Operating income, net of certain items ⁽²⁾	\$ 1,989	\$ 2,093	\$ 2,156	\$2,107	101%
Percent of plan	95%	100%	103%		
Payout as a percent of target	75%	100%	150%		110%

(1) Service revenue as calculated under the performance award agreement excludes the impact of acquisitions. Refer to Appendix A 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 A 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, was slightly ahead of target. As a result of their performance against these pre-established goals, in July 2016 our NEOs received restricted shares at a quantity of 110% of the target level. The restrictions on these shares will lapse after an additional one-year service period. These performance shares, granted in July 2014, were reflected at grant-date fair value in the NEO compensation for fiscal 2015 in the Summary Compensation Table, contained in the Named Executive Officer Compensation section of this proxy statement.

Long-Term Incentive Plan Non-Qualified Performance Stock Options

In July 2011, the NEOs, with the exception of Mr. Gibson, received an LTIP grant of non-qualified performance stock options. These options would vest dependent on achievement against targets for fiscal 2016, with acceleration of up to one-half of the award if established targets were met for fiscal 2014. In July, the NEOs (except Mr. Gibson) vested in 23.5%, out of a potential 50%, of the award based on achievement against targets. For fiscal 2016, achievement is summarized as follows:

Performance Goal (\$ In Millions)	Fiscal 2016 Performance Goals		Actual Achievement	
	Threshold	Target	(\$)	% of Target
Service revenue	\$ 2,854	\$ 3,004	\$2,906	97%
Operating income, net of certain items ⁽¹⁾	\$ 1,090	\$ 1,147	\$1,101	96%
Percent of plan	95%	100%		

(1) Operating income, net of certain items, is a non-GAAP measure. Refer to Appendix A for a description of this non-GAAP measure.

Service revenue and operating income, net of certain items, for fiscal 2016 fell between threshold and target achievement. These targets were established at the time of grant in July 2011 and were based on the Company's long-range plan set at challenging levels. As a result of fiscal 2016 performance, a total of 63.0% of the options at target were earned. As 23.5% were accelerated and vested in July 2014, the remaining 39.5% of the total award at target vested in July 2016. Mr. Gibson received an LTIP grant upon his hire in 2014. He did not vest in any shares in July 2014 due to his limited time with the Company. As he had no acceleration in fiscal 2014, Mr. Gibson vested 63.0% of his award in July 2016. The NEOs vested in the following number of options under the LTIP:

Performance Options Vested	July 2016	July 2014	Total
Martin Mucci	197,500	117,500	315,000
Efrain Rivera	98,750	58,750	157,500
Mark A. Bottini	98,750	58,750	157,500
John B. Gibson	94,500	—	94,500
Michael E. Gioja	98,750	58,750	157,500

Information regarding the equity-based awards granted to the NEOs in fiscal 2016 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, which were raised in July 2015, as follows:

Position	Requirement
CEO	5X base salary
SVP	3X base salary
VPs	2X 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 or Speculating 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.

Pledging of Company Stock

During fiscal 2016, the Company approved a pledging policy for all Paychex directors, officers, and employees. This policy prohibits pledging Company securities as collateral for a loan or a line of credit without obtaining prior Company approval. Approval may be granted when the individual clearly demonstrates the intent and financial capacity to satisfy the obligations without resort to the pledged securities and where the pledge represents no more than 25% of the pledgor's beneficial ownership of the Company securities. This policy is effective prospectively. The Company's pledging policy is posted on the Company's website at <http://investor.paychex.com/governance>.

Recoupment, Non-Compete, and Other Forfeiture Provisions

The Company retains the right to clawback on any incentive payment or award under any policy adopted by the Company implementing Section 10D of the Exchange Act and any regulations promulgated or national securities exchange listing conditions adopted with respect thereto. In the annual incentive program, the Company retains the right 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

Executives 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 executive 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; material 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 Steven Hall 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. They are also used 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.

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

CD&A

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.

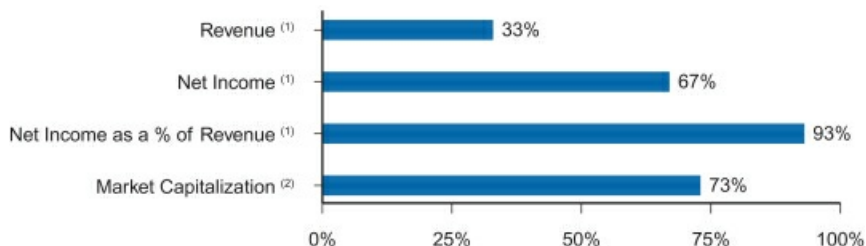
Peer Group

In addition to many other factors that affect compensation determinations, the G&C Committee takes into account the compensation practices of our Peer Group, where available, in formulating our compensation program. 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 chart below. Peer Group comparisons were available for the positions of Mr. Mucci, CEO, Mr. Rivera, CFO, and Mr. Gioja, SVP of Product Development and Information Technology, all 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	

Paychex, Inc. Vs. Peer Group



(1) Based on most recent completed fiscal year.

(2) As of the most recent fiscal year-end date for each company.

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 for fiscal 2016. Subsequently, we removed The Brink's Company and Iron Mountain Incorporated from our Peer Group for the fiscal year ending May 31, 2017 ("fiscal 2017"). These two companies were replaced with Alliance Data Systems and Equifax, Inc., as they are more closely aligned with the Paychex business. For more information regarding how we compare on selected criteria to our Peer Group, refer to Appendix B of this proxy statement.

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 2016 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 103% of target.
- Annual equity award grants comprised of 42,187 performance shares at target, 206,801 stock options with vesting pro-rata over four years, and 15,694 shares of time-vested restricted stock with vesting over three years.

Mr. Mucci's compensation for fiscal 2016 remained below median when compared to that of the CEOs within our Peer Group. The G&C Committee continually assesses his compensation and in July 2016 approved an increase in Mr. Mucci's base salary of 6% to \$950,000 and an increase in total annual equity award value of 14% to \$4,290,000 to bring his compensation closer to median.

Subsequent Events

In July 2016, the G&C Committee approved a new LTIP award to focus the senior leadership team on the strategic plan related to the long-term growth of the Company. This award is in the form of non-qualified performance stock options and performance-based restricted stock. The number of options and restricted shares to be earned will be based on achievement compared to pre-established targets for the fiscal year ending May 31, 2020. Targets are established for financial reporting measures of service revenue, operating income, and diluted earnings per share. The restricted share portion of this award does not earn dividends or have voting rights during the performance period.

All other annual awards granted in July 2016 have similar terms to the July 2015 awards.

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.

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 2016.

The Governance and Compensation Committee:

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

NAMED EXECUTIVE OFFICER COMPENSATION

FISCAL 2016 SUMMARY COMPENSATION TABLE

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

Name and Principal Position (a)	Fiscal Year (b)	Salary (c)	Bonus (d)	Stock Awards (e)	Option Awards (f)	Non-Equity Incentive Plan Compensation (g)	All Other Compensation (h)	Total (i)
Martin Mucci President and CEO	2016	\$ 900,000	\$ —	\$ 2,598,024	\$ 1,069,161	\$ 1,203,210	\$ 12,000	\$ 5,782,395
	2015	\$ 893,231	\$ —	\$ 2,632,715	\$ 1,105,472	\$ 1,265,580	\$ 11,750	\$ 5,908,748
	2014	\$ 845,000	\$ —	\$ 2,741,795	\$ 1,174,236	\$ 1,234,292	\$ 11,500	\$ 6,006,823
Efrain Rivera Senior Vice President, CFO, and Treasurer	2016	\$ 475,000	\$ —	\$ 588,854	\$ 242,344	\$ 454,670	\$ 9,105	\$ 1,769,973
	2015	\$ 468,846	\$ —	\$ 596,747	\$ 250,574	\$ 423,178	\$ 9,281	\$ 1,748,626
	2014	\$ 425,000	\$ —	\$ 621,448	\$ 266,159	\$ 418,285	\$ 8,589	\$ 1,739,481
Mark A. Bottini Senior Vice President, Sales	2016	\$ 450,000	\$ 75,000	\$ 588,854	\$ 242,344	\$ 442,440	\$ 11,411	\$ 1,810,049
	2015	\$ 446,923	\$ 75,000	\$ 596,747	\$ 250,574	\$ 422,190	\$ 11,617	\$ 1,803,051
	2014	\$ 425,000	\$ —	\$ 621,448	\$ 266,159	\$ 391,298	\$ 10,604	\$ 1,714,509
John B. Gibson Senior Vice President, Service	2016	\$ 421,923	\$ —	\$ 588,854	\$ 242,344	\$ 406,810	\$ 8,976	\$ 1,668,907
	2015	\$ 393,846	\$ —	\$ 596,747	\$ 250,574	\$ 356,360	\$ 7,029	\$ 1,604,556
	2014	\$ 350,000	\$ 50,000	\$ 621,448	\$ 843,659	\$ 344,470	\$ 142,985	\$ 2,352,562
Michael E. Gioja Senior Vice President, Information Technology, Product Management and Development	2016	\$ 425,000	\$ —	\$ 588,854	\$ 242,344	\$ 406,810	\$ 10,446	\$ 1,673,454
	2015	\$ 421,923	\$ —	\$ 596,747	\$ 250,574	\$ 374,383	\$ 10,823	\$ 1,654,450
	2014	\$ 396,923	\$ —	\$ 621,448	\$ 266,159	\$ 393,680	\$ 6,692	\$ 1,684,902

Salary (Column (c))

The amount reported in this column reflects the base salary paid to the NEOs during the fiscal year.

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 2016 and 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 \$47.32 per share, \$41.70 per share, and \$38.48 per share for the restricted stock awards granted annually in July of fiscal years 2016, 2015, and 2014, respectively. Refer to the Grants of Plan-Based Awards For Fiscal 2016 table included in this proxy statement for further information on restricted stock awards granted in fiscal 2016.

Table of Contents

NEO Compensation

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 2016		Fiscal 2015		Fiscal 2014	
	Target	Maximum	Target	Maximum	Target	Maximum
Martin Mucci	\$ 1,855,384	\$ 2,783,098	\$ 1,879,113	\$ 2,818,689	\$ 1,956,918	\$ 2,935,395
Efrain Rivera	\$ 420,537	\$ 630,849	\$ 425,944	\$ 638,916	\$ 443,555	\$ 665,333
Mark A. Bottini	\$ 420,537	\$ 630,849	\$ 425,944	\$ 638,916	\$ 443,555	\$ 665,333
John B. Gibson	\$ 420,537	\$ 630,849	\$ 425,944	\$ 638,916	\$ 443,555	\$ 665,333
Michael E. Gioja	\$ 420,537	\$ 630,849	\$ 425,944	\$ 638,916	\$ 443,555	\$ 665,333

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 \$43.98 per share, \$38.68 per share, and \$35.69 per share for performance shares awarded in fiscal years 2016, 2015, and 2014, 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 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 2015	July 2014	July 2013
Risk-Free Interest Rate	1.9%	2.1%	2.0%
Dividend Yield	3.6%	3.7%	4.1%
Volatility Factor	0.18	0.21	0.22
Expected Option Term Life in Years	6.0	6.0	6.5
Fair Value	\$5.17	\$5.66	\$4.94

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 was granted in July 2013 upon his hire. 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.

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 2016.

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.

GRANTS OF PLAN-BASED AWARDS FOR FISCAL 2016

The table below presents estimated possible payouts under the Company's annual incentive program for fiscal 2016 based on achievement of performance objectives at various levels for the Company and individual NEOs. It also summarizes equity awards granted during fiscal 2016 to each of the NEOs. This information does not set forth the actual payout awarded to the NEOs for fiscal 2016.

Name (a)	Grant Type (b)	Grant Date (c)	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 (#) (j)	All Other Option Awards: Number of Securities Underlying Options (#) (k)	Exercise or Base Price of Option Awards (\$/Sh) (l)	Grant-Date Fair Value of Stock and Option Awards (\$) (m)
			Threshold (\$) (d)	Target (\$) (e)	Maximum (\$) (f)	Threshold (#) (g)	Target (#) (h)	Maximum (#) (i)				
Martin Mucci	Annual Incentive Program	7/8/2015	\$450,000	\$1,170,000	\$1,800,000	25,312	42,187	63,281	15,694	206,801	\$47.32	\$ 742,640 \$1,855,384 \$1,069,161
	Restricted Stock	7/8/2015										
	Performance Shares Stock Options	7/8/2015										
Efrain Rivera	Annual Incentive Program	7/8/2015	\$190,000	\$ 451,250	\$ 665,000	5,737	9,562	14,344	3,557	46,875	\$47.32	\$ 168,317 \$ 420,537 \$ 242,344
	Restricted Stock	7/8/2015										
	Performance Shares Stock Options	7/8/2015										
Mark A. Bottini	Annual Incentive Program	7/8/2015	\$180,000	\$ 427,500	\$ 630,000	5,737	9,562	14,344	3,557	46,875	\$47.32	\$ 168,317 \$ 420,537 \$ 242,344
	Restricted Stock	7/8/2015										
	Performance Shares Stock Options	7/8/2015										
John B. Gibson	Annual Incentive Program	7/8/2015	\$170,000	\$ 403,750	\$ 595,000	5,737	9,562	14,344	3,557	46,875	\$47.32	\$ 168,317 \$ 420,537 \$ 242,344
	Restricted Stock	7/8/2015										
	Performance Shares Stock Options	7/8/2015										
Michael E. Gioja	Annual Incentive Program	7/8/2015	\$170,000	\$ 403,750	\$ 595,000	5,737	9,562	14,344	3,557	46,875	\$47.32	\$ 168,317 \$ 420,537 \$ 242,344
	Restricted Stock	7/8/2015										
	Performance Shares Stock Options	7/8/2015										

Estimated Future Payouts Under Non-Equity Incentive Plan Awards (Columns (d), (e), and (f))

The amounts in these columns consist of possible payouts under our annual incentive program for fiscal 2016. The amounts actually earned by each NEO for fiscal 2016 are reported as Non-Equity Incentive Plan Compensation in the Fiscal 2016 Summary Compensation Table.

Estimated Future Payouts Under Equity Incentive Plan Awards (Columns (g), (h), and (i))

The amounts in these columns consist of performance shares granted during fiscal 2016 under the 2002 Plan. The performance share targets are over a two-year performance period. At the end of the performance period, actual shares earned will be determined and will be restricted with an additional one-year service requirement. Once the performance period is completed, the NEOs will have voting rights and earn dividends on the underlying restricted shares earned. Dividends are paid at the time of vesting. Upon death or disability, a pro-rata portion of actual performance shares earned for the performance period will be received based on number of days from the beginning of the performance period until the date of death or disability out of the total number of days in the performance period.

NEO Compensation

All Other Stock Awards: Number of Shares of Stock or Units (Column (j))

The amounts in this column consist of restricted stock granted in fiscal 2016 under the 2002 Plan. All shares underlying these awards are restricted in that they are not transferable until they vest. One-third of these shares vest annually over a three-year period from the date of grant, provided the NEO is an employee of the Company on the vest date. Upon death or disability, these shares fully vest. The NEOs have voting rights and earn dividends on the underlying shares. Dividends are paid at the time of vesting.

All Other Option Awards: Number of Securities Underlying Options (Column (k))

The amounts in this column consist of stock options granted in fiscal 2016 under the 2002 Plan. These stock options have an exercise price equal to the closing stock price on the date of grant, have a term of ten years, and vest 25% per annum over a four-year period from the date of grant, provided the NEO is an employee of the Company on the vesting date. Upon death or disability, all unvested options fully vest.

Grant-Date Fair Value of Stock and Option Awards (Column (m))

The amounts in this column represent the aggregate grant date fair value of restricted stock, performance shares, and stock options granted in fiscal 2016 under the 2002 Plan as follows:

- The fair value of the restricted stock awards was \$47.32 per share, and was equal to the closing price of the underlying common stock on the date of grant.
- The fair value of the performance shares was based on achievement at target and was \$43.98 per share. This was equal to the closing price of the underlying common stock on the date of grant less the present value of expected dividends over the performance period.
- The fair value of the annual stock option grant was \$5.17 per share, and was determined using a Black-Scholes option pricing model.

OPTION EXERCISES AND STOCK VESTED IN FISCAL 2016

The following table provides information about the value realized by the NEOs upon the exercise of options and the lapsing of the restrictions on restricted stock awards during fiscal 2016. Certain columns in this table and the presentation of information on an award-by-award basis are not required by the rules relating to executive compensation disclosures and are not a substitute for the information required by Item 402 of SEC Regulation S-K, but rather are intended to provide additional information that stockholders may find useful.

Name (a)	Option Awards			Stock Awards		
	Date of Grant (b)	Number of Shares Acquired on Exercise (#) (c)	Value Realized on Exercise (\$) (d)	Date of Grant (e)	Number of Shares Acquired on Lapsing (#) (f)	Value Realized on Lapse (\$) (g)
Martin Mucci	7/13/2006	30,000	\$ 453,916	7/11/2012	76,074	\$ 3,634,816
	10/12/2010	84,591	\$ 1,914,070	7/10/2013	6,799	\$ 324,856
				7/9/2014	6,024	\$ 285,718
Efrain Rivera	—	—	—	7/11/2012	16,301	\$ 778,862
				7/10/2013	1,541	\$ 73,629
				7/9/2014	1,366	\$ 64,789
Mark A. Bottini	—	—	—	7/11/2012	16,301	\$ 778,862
				7/10/2013	1,541	\$ 73,629
				7/9/2014	1,366	\$ 64,789
John B. Gibson	—	—	—	7/10/2013	1,541	\$ 73,629
				7/9/2014	1,366	\$ 64,789
Michael E. Gioja	07/11/2012	19,450	425,306	7/11/2012	16,301	\$ 778,862
				7/10/2013	1,541	\$ 73,629
				7/9/2014	1,366	\$ 64,789

Value Realized on Exercise (Column (d))

The amounts in this column represent the difference between the market price of a share of the Company's common stock as of the date of exercise and the exercise price of the option for all options exercised.

Value Realized on Lapse (Column (g))

The amounts in this column are based on the closing stock price of the Company's common stock on the date of lapse.

NEO Compensation

OUTSTANDING EQUITY AWARDS AS OF MAY 31, 2016

The following table presents the equity awards made to NEOs which were outstanding as of May 31, 2016.

Name (a)	Option Awards							Stock Awards				
	Option Grant Date (b)	Number of Securities Underlying Unexercised Options (Exercisable) (#) (c)	Number of Securities Underlying Unexercised Options (Unexercisable) (#) (d)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (e)	Option Exercise Price (\$) (f)	Option Expiration Date (g)	Total Potential Current Value of Outstanding Options(\$) (h)	Number of Shares or Units of Stock That Have Not Vested (#) (i)	Market Value of Shares or Units of Stock That Have Not Vested (\$) (j)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (k)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) (l)	
Martin Mucci	7/8/2015	—	206,801	—	\$ 47.32	7/8/2025						
	7/9/2014	48,828	146,485	—	\$ 41.70	7/9/2024						
	7/10/2013	118,922	118,922	—	\$ 38.48	7/9/2023						
	7/11/2012	206,151	68,718	—	\$ 31.65	7/10/2022						
	7/7/2011	117,500	197,500	—	\$ 31.63	7/6/2021						
	7/6/2011	206,422	—	—	\$ 31.34	7/5/2021						
	7/7/2010	29,786	—	—	\$ 26.02	7/6/2020						
	7/9/2009	13,290	—	—	\$ 24.21	7/8/2019						
	7/9/2009	12,675	—	—	\$ 31.95	7/9/2018						
	7/10/2008	40,000	—	—	\$ 31.95	7/9/2018						
	7/17/2007	30,000	—	—	\$ 43.91	7/17/2017	\$ 28,379,659	152,132	\$ 8,248,597	25,312	\$ 1,372,417	
Efrain Rivera	7/8/2015	—	46,875	—	\$ 47.32	7/8/2025						
	7/9/2014	11,067	33,204	—	\$ 41.70	7/9/2024						
	7/10/2013	26,955	26,956	—	\$ 38.48	7/9/2023						
	7/11/2012	44,175	14,726	—	\$ 31.65	7/10/2022						
	7/7/2011	58,750	98,750	—	\$ 31.63	7/6/2021						
	7/6/2011	44,381	—	—	\$ 31.34	7/5/2021	\$ 7,629,027	34,482	\$ 1,869,614	5,737	\$ 311,060	
	7/8/2015	—	46,875	—	\$ 47.32	7/8/2025						
Mark A. Bottini	7/9/2014	11,067	33,204	—	\$ 41.70	7/9/2024						
	7/10/2013	26,955	26,956	—	\$ 38.48	7/9/2023						
	7/11/2012	44,175	14,726	—	\$ 31.65	7/10/2022						
	10/17/2011	35,063	98,750	—	\$ 28.06	10/16/2021	\$ 6,556,213	34,482	\$ 1,869,614	5,737	\$ 311,060	
	7/8/2015	—	46,875	—	\$ 47.32	7/8/2025						
John B. Gibson	7/9/2014	11,067	33,204	—	\$ 41.70	7/9/2024						
	7/10/2013	26,955	26,956	—	\$ 38.48	7/9/2023						
	7/11/2012	—	94,500	—	\$ 36.66	6/30/2023	\$ 3,385,690	34,482	\$ 1,869,614	5,737	\$ 311,060	
	7/8/2015	—	46,875	—	\$ 47.32	7/8/2025						
Michael E. Gioja	7/9/2014	11,067	33,204	—	\$ 41.70	7/9/2024						
	7/10/2013	26,955	26,956	—	\$ 38.48	7/9/2023						
	7/11/2012	10,000	14,726	—	\$ 31.65	7/10/2022						
	7/7/2011	58,750	98,750	—	\$ 31.63	7/6/2021						
	7/6/2011	22,191	—	—	\$ 31.34	7/5/2021						
	7/7/2010	4,468	—	—	\$ 26.02	7/6/2020						
	7/9/2009	7,840	—	—	\$ 24.21	7/8/2019						
	11/10/2008	2,400	—	—	\$ 26.77	11/9/2018	\$ 6,777,146	34,482	\$ 1,869,614	5,737	\$ 311,060	

Number of Securities Underlying Unexercised Options (Column (d))

The options displayed in this column issued prior to July 2010 vest 20% per annum over a five-year period from the date of grant. Awards issued during and subsequent to July 2010 vest 25% per annum over a four-year period from the date of grant. The following table provides information with respect to the future vesting of each NEO's outstanding options.

	Number of Securities Vesting (#)			
	July 2016	July 2017	July 2018	July 2019
Martin Mucci	426,207	159,989	100,529	51,701
Efrain Rivera	149,740	36,265	22,787	11,719
Mark A. Bottini	149,740	36,265	22,787	11,719
John B. Gibson	130,764	36,265	22,787	11,719
Michael E. Gioja	149,740	36,265	22,787	11,719

Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (Column (e))

There are no amounts in this column as the final performance period for the LTIP performance stock options has been completed. The options earned based on pre-established performance goals for fiscal 2016 are included in the column for securities underlying unexercised options.

Total Potential Current Value of Outstanding Options (Column (h))

The total potential current value of options outstanding is based on the difference between \$54.22, the closing price of the Company's common stock on May 31, 2016, and the exercise price, multiplied by all outstanding options, whether exercisable or unexercisable. In those instances when the outstanding options are out of the money (the option exercise price is greater than the closing price), no value is provided. This column is not required by the rules relating to executive compensation disclosures and is not a substitute for information required by Item 402 of SEC Regulation S-K, but rather is intended to provide additional information that stockholders may find useful.

Number of Shares or Units and Market Value of Shares or Units That Have Not Vested (Columns (i) and (j))

The stock awards in this column include awards on July 10, 2013, July 9, 2014, and July 8, 2015 that are subject to time-based vesting pro rata over three years. The performance shares granted on July 10, 2013 and July 9, 2014 are also included in this column, since their performance conditions have been satisfied. These performance shares are now restricted with a one-year service requirement before the restrictions lapse in July 2016 and July 2017.

The following table provides information with respect to the future vesting of each NEO's outstanding restricted stock awards:

	Number of Securities Vesting (#)		
	July 2016	July 2017	July 2018
Martin Mucci	82,207	64,694	5,231
Efrain Rivera	18,633	14,663	1,186
Mark A. Bottini	18,633	14,663	1,186
John B. Gibson	18,633	14,663	1,186
Michael E. Gioja	18,633	14,663	1,186

NEO Compensation

The market value displayed is based on the number of shares that have not vested multiplied by \$54.22, the closing price of the Company's common stock as of May 31, 2016.

Total dividends and interest accrued on the restricted stock awards that have not vested as of May 31, 2016 were as follows: Mr. Mucci — \$204,217; and Mr. Rivera, Mr. Bottini, Mr. Gibson, and Mr. Gioja — \$46,285 each.

Equity Incentive Plan Awards: Unearned Shares, Units or Other Rights That Have Not Vested (Columns (k) and (l))

The stock awards in these columns represent performance shares granted on July 8, 2015. These awards have pre-established performance goals that can be achieved over a two-year period. Shares earned will be determined at the end of the performance period, and then will be restricted with a one-year service requirement before the restrictions lapse. These awards are presented at threshold performance as of May 31, 2016. The market value displayed is based on the number of shares at threshold multiplied by \$54.22, the closing price of the Company's common stock as of May 31, 2016.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

FISCAL 2016

Change In Control Plan

The Company has a Change in Control Plan covering the officers of the Company. 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, as defined in the Change in Control Plan, the officer becomes entitled to certain severance benefits. "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; material 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 this plan.

The severance benefits, which are conditioned upon the execution of a general release in favor of the Company, are as follows:

- Cash compensation in the form of a lump-sum payment equal to a multiple of Annual Cash Compensation (Base Salary and Bonus at target) as determined by position within the Company (CEO — 2.0; SVP — 1.5);
- Lump-sum cash payment for pro-rated portion of current year annual cash performance incentive award at target;
- Immediate vesting of all outstanding time-based equity awards. Performance-based equity awards will vest at target performance levels on a pro-rated basis; and
- Lump-sum payment for the cost to continue basic life insurance, medical, dental, vision, and hospitalization benefits for the applicable Continuation Period, which is determined as the number of years equal to the participant's multiplier (CEO — 2.0; SVP — 1.5).

The plan does not provide for tax gross-ups. The summary of the terms of the foregoing plan is qualified in its entirety by reference to the text of the plan document. For more information, refer to the Paychex, Inc. Change In Control Plan, incorporated by reference from Exhibit 10.24 to the Company's Form 10-K filed with the SEC on July 15, 2011.

Other Separation Benefits

With the exception of the Change in Control Plan, NEOs are not entitled to severance benefits. However, for all NEOs, upon death or disability all unvested stock options and restricted stock awards become fully vested according to the terms of the award agreements under the 2002 Plan. Upon death or disability a NEO shall be entitled to a prorated portion of actual shares earned under a performance share award, based on the number of days in the performance period until the date of death or disability as a percentage of the total number of days in the performance period. The LTIP award agreement does not have a provision allowing vesting of a portion of the award at death, disability, or retirement.

Upon death, disability, or retirement, NEOs may be eligible to receive an annual incentive program payout based on actual fiscal year results and calculated using the base pay received by the participant during the performance period.

Potential Benefits Upon Separation from Company

The following table presents, as of May 31, 2016, the compensation and benefits to the NEOs upon separation from employment with the Company for the various reasons specified.

	Annual Compensation per the Summary Compensation Table ⁽¹⁾	Potential Payments Upon Separation			
		Voluntary Resignation/ Termination	Death or Disability	Retirement	Termination Other Than For Cause/ Resignation For Good Reason within One Year of Change of Control
Martin Mucci					
Base Salary ⁽²⁾		\$ —	\$ —	\$ —	\$ 1,800,000
Annual Incentive ⁽³⁾		—	1,203,210	1,203,210	2,340,000
Stock Option Awards ⁽⁴⁾		—	11,145,242	—	11,145,242
Restricted Stock Awards ⁽⁵⁾		—	8,248,597	—	8,248,597
Performance Share Awards ⁽⁶⁾		—	1,143,690	—	1,143,690
Benefits ⁽⁷⁾		—	—	—	27,967
Total	\$ 5,782,395	\$ —	\$21,740,739	\$ 1,203,210	\$ 24,705,496
Efrain Rivera					
Base Salary ⁽²⁾		\$ —	\$ —	\$ —	\$ 712,500
Annual Incentive ⁽³⁾		—	454,670	454,670	676,875
Stock Option Awards ⁽⁴⁾		—	3,726,567	—	3,726,567
Restricted Stock Awards ⁽⁵⁾		—	1,869,614	—	1,869,614
Performance Share Awards ⁽⁶⁾		—	259,226	—	259,226
Benefits ⁽⁷⁾		—	—	—	25,901
Total	\$ 1,769,973	\$ —	\$ 6,310,077	\$ 454,670	\$ 7,270,683
Mark A. Bottini					
Base Salary ⁽²⁾		\$ —	\$ —	\$ —	\$ 675,000
Annual Incentive ⁽³⁾		—	442,440	442,440	641,250
Stock Option Awards ⁽⁴⁾		—	4,079,105	—	4,079,105
Restricted Stock Awards ⁽⁵⁾		—	1,869,614	—	1,869,614
Performance Share Awards ⁽⁶⁾		—	259,226	—	259,226
Benefits ⁽⁷⁾		—	—	—	37,760
Total	\$ 1,810,049	\$ —	\$ 6,650,385	\$ 442,440	\$ 7,561,955
John B. Gibson					
Base Salary ⁽²⁾		—	—	—	637,500
Annual Incentive ⁽³⁾		—	406,810	406,810	605,625
Stock Option Awards ⁽⁴⁾		—	2,822,859	—	2,822,859
Restricted Stock Awards ⁽⁵⁾		—	1,869,614	—	1,869,614
Performance Share Awards ⁽⁶⁾		—	259,226	—	259,226
Benefits ⁽⁷⁾		—	—	—	26,680
Total	\$ 1,668,907	\$ —	\$ 5,358,509	\$ 406,810	\$ 6,221,504
Michael E. Gioja					
Base Salary ⁽²⁾		\$ —	\$ —	\$ —	\$ 637,500
Annual Incentive ⁽³⁾		—	406,810	406,810	605,625
Stock Option Awards ⁽⁴⁾		—	3,726,567	—	3,726,567
Restricted Stock Awards ⁽⁵⁾		—	1,869,614	—	1,869,614
Performance Share Awards ⁽⁶⁾		—	259,226	—	259,226
Benefits ⁽⁷⁾		—	—	—	21,184
Total	\$ 1,673,454	\$ —	\$ 6,262,217	\$ 406,810	\$ 7,119,716
Total for all NEOs	\$ 12,704,778	\$ —	\$46,321,927	\$ 2,913,940	\$ 52,879,354

NEO Compensation

- (1) The amounts in this column are the total reported compensation for fiscal 2016 per the Summary Compensation Table presented earlier in this proxy statement. These amounts are provided for comparative purposes only.
- (2) Base salary is the annual salary at a multiple as outlined in the Change in Control Plan; 2.0 for CEO and 1.5 for SVPs.
- (3) For death or disability and retirement, the value for the annual incentive is the amount earned as of May 31, 2016. For termination other than for cause or resignation for good reason within one year of a change in control, the value for the annual incentive is the incentive at target at a multiple as outlined in the Change in Control Plan; 2.0 for CEO and 1.5 for SVPs.
- (4) The value of the unvested stock option awards is determined by the difference in the closing price of the Company's common stock of \$54.22 per share as of May 31, 2016 and the exercise price multiplied by the number of unvested options.
- (5) The value of unvested restricted stock awards is based upon the closing price of the Company's common stock of \$54.22 as of May 31, 2016.
- (6) The value of the performance share awards is based upon the closing price of the Company's common stock of \$54.22 as of May 31, 2016, assuming achievement at target, and prorated for one-half of the performance period completed as of May 31, 2016.
- (7) The value of the cost to continue basic life insurance, medical, dental, vision, and hospitalization benefits for the applicable Continuation Period, which is equal to the number of years as outlined in the Change in Control Plan: 2.0 for CEO, and 1.5 for SVPs.

NON-QUALIFIED DEFERRED COMPENSATION

FISCAL 2016

We offer a non-qualified and unfunded deferred compensation plan to our NEOs. Eligible employees are able to defer up to 50% of their base salary and annual incentive program award. 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. The NEO has sole control as to which of the designated funds to invest in, and earns the resulting return on such investment. We do not match any participant deferral or guarantee a certain rate of return. Distributions are paid at one of the following dates selected by the participant: the participant's termination date; the date the participant retires from any active employment; or a designated specific date. Payments can be made either in a lump sum or in annual installments over a period not to exceed ten years.

The following table summarizes the NEO benefits under the plan:

Name (a)	Fiscal 2016			Aggregate Balance as of May 31, 2016 (\$) (e)
	Executive Contributions (\$) (b)	Aggregate Earnings/ (Losses), Net (\$) (c)	Aggregate Withdrawals/ Distributions (\$) (d)	
Martin Mucci	\$ 219,582	\$ 12,746	\$ —	\$1,843,536
Efrain Rivera	\$ 455,552	\$ 49,856	\$ —	\$1,807,585
John B. Gibson	\$ 53,454	\$ (1,728)	\$ —	\$ 143,073

Other NEO's are currently not participating in this plan.

Executive Contributions (Column (b))

The amounts in this column reflect the aggregate of the salary and bonus amounts deferred by the NEO during fiscal 2016. These are included in amounts reported in the Fiscal 2016 Summary Compensation Table.

Aggregate Earnings/(Losses), Net (Column (c))

The amounts in this column reflect both net realized gains/losses and net unrealized gains/losses. They are not included in the Fiscal 2016 Summary Compensation Table as the earnings on these investments are not considered to be "above-market" earnings.

Aggregate Withdrawals/Distributions (Column (d))

The amounts in this column would represent amounts withdrawn from the plan, and would have been included in the "Salary" and "Non-Equity Incentive Plan Compensation" amounts reported in the Summary Compensation Tables for current and previous years.

Aggregate Balance as of May 31, 2016 (Column (e))

The amounts in this column reflect the accumulated balances in the plan and include the "Salary" and "Non-Equity Incentive Plan Compensation" amounts reported in current and previous years in the Fiscal 2016 Summary Compensation Table.

The investment funds managed at Wilmington Trust Company available to NEOs, and the respective one-year rates of return as of May 31, 2016, are as follows:

Name of Fund	Rate of Return	Name of Fund	Rate of Return
American Funds Europacific Growth Fund	(9.37)%	T. Rowe Price Equity Income Fund	(1.78)%
BlackRock Global Allocation Fund Class A	(5.64)%	T. Rowe Price Growth Stock Fund	(1.50)%
Fidelity Spartan Extended Market Index Fund	(6.14)%	T. Rowe Price New Income Fund	2.50%
Fidelity Spartan 500 Index Advantage Fund	1.63%	T. Rowe Price Small-Cap Value Fund	1.63%
MFS Mid Cap Value Fund R5	(0.18)%	Vanguard Prime Money Market Fund	0.21%
Oppenheimer Developing Markets Fund Class A	(13.17)%	Vanguard Total International Stock Index Fund	(10.80)%

Independent Accountants

PROPOSAL 3: RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Proposal Snapshot

• **What am I voting on?**

Stockholders are being asked to ratify the appointment of PricewaterhouseCoopers LLP ("PwC") as the Company's independent registered accounting firm for fiscal 2017.

• **Voting Recommendation**

The Board of Directors recommends a vote **FOR** the ratification of PwC as the Company's independent public accounting firm for fiscal 2017.

The Audit Committee has appointed PwC as the Company's independent registered public accounting firm (the "independent accountants") for fiscal 2017. In connection with the decision to appoint PwC, the Audit Committee evaluates: their reputation, qualifications, and experiences; quality of communications and interactions during the past year; and their independence and objectivity. Although action by stockholders in this matter is not required, the Audit Committee believes that it is appropriate to seek stockholder ratification of this appointment and to seriously consider stockholder opinion on this issue. If the stockholders do not ratify the appointment, the Audit Committee will review its future selection of the independent accountants, but may still retain them.

Representatives from PwC, the Company's independent accountants, will be present at the Annual Meeting, will be afforded the opportunity to make any statements they wish, and will be available to respond to appropriate questions from stockholders.

To ratify the appointment of PwC, 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.

The Board recommends a vote **FOR the proposal to ratify the appointment of PwC as the Company's independent registered public accounting firm for fiscal 2017.**

Fees For Professional Services

The following table shows the aggregate fees for professional services rendered for the Company by PwC:

	Year Ended May 31,	
	2016	2015
Audit fees	\$1,292,000	\$1,069,000
Tax-related fees	496,000	120,000
Other fees	—	59,000
Total fees	\$1,788,000	\$1,248,000

Audit fees

This category includes fees for fiscal 2016 and fiscal 2015 that were for professional services rendered for the audits of the Company's annual consolidated financial statements, reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q, audits of the effectiveness of internal control over financial reporting, and for statutory and regulatory filings.

Tax-related fees

This category includes fees for fiscal 2016 and fiscal 2015 services related to tax compliance and planning.

Other fees

This category includes fees for fiscal 2015 related to a special project related to marketing strategies.

Audit Committee Policy on Pre-Approval of Services of Independent Accountants

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent accountants. The Audit Committee pre-approved all such audit and audit-related services provided by the independent accountants during fiscal 2016 and fiscal 2015.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors oversees the Company's financial reporting process on behalf of the Board and is composed entirely of independent directors. The Audit Committee is governed by a written Charter and its primary responsibilities are highlighted in the Corporate Governance section of this Proxy Statement.

Paychex management is responsible for the preparation of the consolidated financial statements, the financial reporting process, and for the Company's internal controls over financial reporting. PricewaterhouseCoopers LLP, the Company's independent accountants, is responsible for performing independent audits of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board. The independent accountants are also responsible for expressing an opinion on the effectiveness of the Company's internal controls over financial reporting. The Audit Committee monitors and oversees these processes. Also, the Audit Committee discussed with PricewaterhouseCoopers LLP the matters required to be discussed by Auditing Standard No. 16 as adopted by the Public Company Accounting Oversight Board relating to communications with audit committees.

As part of the oversight processes, the Audit Committee regularly meets with management, the Company's internal auditors, and the independent accountants. The Audit Committee meets with the internal auditors and independent accountants, with and without management present, to discuss the overall scope and plans for various audits, results of their examinations, their evaluations of the Company's internal controls, and the overall quality and effectiveness of the Company's financial reporting process and legal and ethical compliance programs, including the Company's Code of Business Ethics and Conduct. The Audit Committee held seven meetings during fiscal 2016 and had full access to each of the aforementioned parties.

In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed with management and the independent accountants the consolidated financial statements for fiscal 2016, including a discussion on the quality and acceptability of the Company's accounting policies, the reasonableness of significant judgments and estimates, and the clarity of disclosures in the consolidated financial statements. The Audit Committee also monitored the progress and results of testing of internal controls over financial reporting, reviewed reports from management and internal audit regarding design, operation, and effectiveness of internal controls over financial reporting, and reviewed the report from the independent accountants regarding the effectiveness of the Company's internal control over financial reporting.

The Audit Committee has discussed with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61 (Codification of Statements on Auditing Standards, AU 380) and SEC Rule 207. The independent accountants have provided the Audit Committee with written disclosures and the letter required by the Public Company Accounting Oversight Board regarding independent accountants' communications with the audit committee concerning independence, and the Audit Committee has discussed with the independent accountants and management the accountants' independence. The Audit Committee approved non-audit services provided by PricewaterhouseCoopers LLP during fiscal 2016. The Audit Committee considered whether PricewaterhouseCoopers LLP's provision of non-audit services to the Company and its affiliates and the fees and costs billed for those services, is permissible with PricewaterhouseCoopers LLP's independence. The Audit Committee has a clear policy on non-audit services that may be provided by the independent accountants, which prohibits certain categories of work and requires pre-authorization for all non-audit related services.

Based upon the reviews and discussions referred to above, the Audit Committee recommended and the Board approved that the audited consolidated financial statements be included in the Company's Form 10-K for the fiscal 2016 for filing with the SEC. The Audit Committee has recommended for approval by the Board the selection of the Company's independent accountants.

The Audit Committee:

David J. S. Flaschen, *Chairman*
Grant M. Inman
Pamela A. Joseph
Joseph G. Doody

FREQUENTLY ASKED QUESTIONS

What is a Proxy Statement and What Is a Proxy?

We are furnishing this proxy statement to stockholders on behalf of our Board, who is soliciting your proxy to vote at the Annual Meeting. A proxy statement is a document that SEC regulations require us to give you when we ask you to sign a proxy designating individuals to vote on your behalf. 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.

A proxy is your legal designation of another person to vote the stock that you own. That other person is called a proxy. The proxy card is your written document that designates someone to be your proxy. We have designated two of our officers as proxies for the Annual Meeting — Martin Mucci, President and CEO and Efrain Rivera, SVP, CFO and Treasurer.

Distribution of this proxy statement and a form of proxy to stockholders is scheduled to begin on or about September 9, 2016.

When and Where Is the Annual Meeting?

The Annual Meeting will be held on Wednesday, October 12, 2016 at 10:00 a.m. Eastern Time at The Strong, One Manhattan Square, Rochester, NY 14607.

What Am I Voting On? How Do You Recommend I Vote?

The table below shows the proposals subject to vote at the Annual Meeting, along with information on what vote is required to approve each of the proposals, assuming the presence of a quorum at the Annual Meeting, and the Board's recommendations for each proposal. With respect to Proposals 1, 2, and 3, you may vote "FOR," "AGAINST," or "ABSTAIN."

Proposal	Vote Required	Board Recommendation
Proposal 1: Election of nine nominees to the Board of Directors for a one-year term	Majority of the votes duly cast	FOR all director nominees
Proposal 2: Advisory vote to approve the Company's named executive officer compensation	Majority of the shares present in person or by proxy and entitled to vote	FOR
Proposal 3: Ratification of the selection of Independent Registered Public Accounting Firm	Majority of the shares present in person or by proxy and entitled to vote	FOR

Who is Entitled to Vote At the Annual Meeting?

Stockholders of record of our common stock as of the close of business on August 15, 2016 (the "Record Date") will be eligible to vote at the Annual Meeting. Each share outstanding as of the Record Date will be entitled to one vote.

How Many Shares Must Be Present to Hold the Annual Meeting?

In order for us to conduct our Annual Meeting, the holders of a majority of the shares entitled to vote must be present at the Annual Meeting in person or by proxy. This is called a quorum. A quorum is necessary to hold a valid meeting. As of August 15, 2016, 361,820,284 shares of common stock were issued and outstanding. A total of 180,910,143 shares will constitute a quorum.

What is The Difference Between a Registered Shareholder and a Beneficial Shareholder?

If your shares are registered directly in your name with the Company's transfer agent, American Stock Transfer & Trust Company, LLC, you are considered a stockholder of record, or a **registered shareholder**, with respect to those shares. If

your shares are held in a brokerage account in the name of your bank, broker, or other nominee (this is called “street name”), you are not a registered stockholder, but rather are considered a “**beneficial owner**” of those shares. Your bank, broker, or other nominee will send you instructions on how to vote your shares.

What Shares are Included on the Proxy Card?

You may receive more than one proxy card if you have multiple accounts with our transfer agent, or with banks, brokers, or other nominees.

If you are a **registered stockholder**, you will receive a proxy card for shares of common stock you hold in certificate form or in book-entry form.

If you are a participant in the Paychex Employee Stock Ownership Plan Stock Fund (“ESOP”) of the Company’s 401(k) Plan, you will receive a proxy card that reflects those shares. You can vote those shares using the methods described below. This will serve as a voting instruction for Fidelity Management Trust Company (the “Trustee”), who is the holder of record for the shares in the ESOP. As a participant in the ESOP, you have the right to direct the Trustee on how to vote the shares of common stock credited to your account at the Annual Meeting. The participants’ voting instructions will be tabulated confidentially. Only the Trustee and/or the tabulator will have access to each participant’s individual voting direction. If you do not submit voting instructions for your shares of common stock in the ESOP, those shares will be voted by the Trustee in the same proportions as the shares for which voting instructions were received from other participants. To allow sufficient time for voting by the Trustee, voting instructions by ESOP participants must be received by 11:59 p.m. Eastern Time on Friday, October 7, 2016. The Trustee will then vote all shares of common stock held in the ESOP by the established deadline.

If you are a **beneficial owner**, you will receive voting instruction information from the bank, broker, or other nominee through which you own your shares of common stock.

How Do I Vote In Advance of the Annual Meeting?

Registered shareholders or participants in the ESOP can vote in one of the following ways:

- **Via the Internet** — Go to the website noted on your proxy card in order to vote via the Internet. Internet voting is available 24 hours a day. We encourage you to vote via the Internet, as it is the most cost-effective way to vote.
- **By telephone** — Call the toll-free telephone number indicated on your proxy card and follow the voice prompt instructions to vote by telephone. Telephone voting is available 24 hours a day.
- **By mail** — Mark your proxy card, sign and date it, and return it in the enclosed postage-paid envelope. If you elected to electronically access the proxy statement and Annual Report, you will not receive a proxy card and must vote via the Internet.
- **By mobile device** — Scan this QR code



Proxies submitted by Internet or telephone must be received by 11:59 p.m. Eastern Time on Tuesday, October 11, 2016. If you vote by telephone or the Internet, you do not need to return your proxy card.

May I Vote In Person at the Annual Meeting?

If you are a **registered stockholder**, you may vote your shares at the Annual meeting if you attend in person, even if you previously submitted a proxy card or voted by Internet or telephone. Whether or not you plan to attend the meeting, however, we strongly encourage you to vote your shares by proxy before the meeting.

If you are a beneficial owner, and want to vote your shares in person at the Annual Meeting, you will need to ask your bank, broker, or other nominee to furnish you with a legal proxy. You must hand this legal proxy in with your completed ballot. Without this legal proxy you will be unable to vote at the meeting.

May I Change My Mind After I Vote?

Registered stockholders may change a properly executed proxy at any time prior to it being voted at the Annual Meeting by:

- providing written notice of revocation to the Corporate Secretary;
- submitting a later-dated proxy via the Internet, telephone, or mail; or
- voting in person at the Annual Meeting.

Beneficial owners should contact their broker, bank, or other nominee for instructions on how to change their vote.

If you are a participant in the ESOP, you may change a properly executed proxy at any time prior to 11:59 p.m. Eastern Time on October 7, 2016, by submitting a proxy that has a more recent date than the original proxy by internet, telephone, or mail. You may not, however, change your voting instructions in person at the Annual Meeting because the Trustee will not be present.

In What Manner Are Proxies Voted? What if I Returned My Proxy Card Without Specifying a Vote?

All votes properly cast and not revoked will be voted at the Annual Meeting in accordance with the stockholder's directions. You should specify your choice for each matter on your proxy card. However, if you do not specify your choices on your returned proxy card, then your shares will be voted in accordance with the Board's recommendations. Should any matter not described above be properly presented at the Annual Meeting, the persons named on the proxy form will vote in accordance with their judgment as permitted.

If you are a **beneficial owner**, in order to ensure your shares are voted the way you would like, you must provide voting instructions to your bank, broker, or other nominee. If you do not provide your voting instructions to that party, whether your shares can be voted depends on the type of item being considered for vote. New York Stock Exchange ("NYSE") rules allow your bank, broker, or other nominee to use its own discretion and vote your shares on routine matters. A bank, broker, or other nominee does not have discretion to vote your shares on non-routine matters (known as "broker non-votes"). Proposals 1 and 2 are not considered to be routine matters under the current NYSE rules, and so your bank, broker, or other nominee will not have the discretionary authority to vote your shares on those items. Proposal 3 is considered a routine matter under NYSE rules, so your bank, broker, or other nominee will have discretionary authority to vote your shares on that item.

How Are Broker Non-Votes and Abstentions Counted?

Broker non-votes are not considered votes for or against a proposal and therefore will have no direct impact on any proposal since they are not deemed to be duly cast nor entitled to vote, but they will be counted for the purpose of determining the presence or absence of a quorum. **Therefore, we urge you to give voting instructions to your bank or broker on all voting items.**

Abstentions are also counted for the purposes of establishing a quorum, but will have the same effect as a vote against a proposal, except in regards to the election of directors. For this item, abstentions will have no direct impact.

How Can I Find The Results of the Voting?

We will announce the preliminary voting results at the Annual Meeting. The Company will report the final results in a Current Report on Form 8-K filed with the SEC within four business days following the Annual Meeting.

Can I Access Proxy Materials On the Internet?

The Notice of Annual Meeting of Stockholders, Proxy Statement, and Annual Report are available on the Company's website at <http://investor.paychex.com/annual-report.aspx>. You can also access these documents via the Company's 2016 Annual Meeting page at <http://investor.paychex.com/annual-meeting.aspx>.

As an alternative to receiving paper copies of the proxy statement and Annual Report in the mail, stockholders can elect to receive an e-mail message, which will provide a link to these documents on the Internet. Opting to receive your proxy materials online saves the Company the cost of producing and mailing bulky documents and reduces the volume of duplicate information received by you.

For **registered shareholders**, to give your consent to receive future documents via electronic delivery, vote your proxy via the Internet and follow the instructions to enroll in the electronic delivery service. For **beneficial owners**, please check the information in the proxy materials provided by your bank, broker, or other nominee regarding the availability of electronic delivery service.

Are There Any Other Actions to be Presented at the Annual Meeting?

As of the date of this proxy statement, management does not intend to present, and has not been informed that any other person intends to present, any matter for action at the Annual Meeting other than those described in this proxy statement. If any other matters properly come before the Annual Meeting, the persons named in the enclosed proxy will vote on such matters in accordance with their judgment.

Who Pays for the Cost of Solicitation of Proxies?

Solicitation of proxies is made on behalf of the Company and the Company will pay the cost of solicitation of proxies. The Company will reimburse any banks, brokers and other custodians, nominees, and fiduciaries for their expenses in forwarding proxies and proxy solicitation material to the beneficial owners of the shares held by them. In addition to solicitation by use of the mail or via the Internet, directors, officers, and regular employees of the Company, without extra compensation, may solicit proxies personally or by telephone or other communication means.

How Are Proxy Materials and the Company's Annual Report Being Delivered?

The Notice of Annual Meeting of Stockholders, Proxy Statement, Proxy Card, and Annual Report are being mailed to stockholders on or about September 9, 2016. You may also obtain a copy of our Form 10-K filed with the SEC, without charge, upon written request submitted to Paychex, Inc., 911 Panorama Trail South, Rochester, New York 14625-2396, Attention: Investor Relations.

What is Householding?

In accordance with the Exchange Act, the Company delivers materials to stockholders under a program known as "householding." Under the householding program, the Company is delivering one copy of its Annual Report and Proxy Statement in a single envelope addressed to all stockholders who share a single address, unless such stockholders previously notified the Company that they wish to revoke their consent to the householding. Householding is intended to reduce the Company's printing and postage costs.

You may revoke your consent at any time by calling toll-free (800) 542-1061 or by writing to Broadridge Investor Communications Services, Attention: Broadridge Householding Department, 51 Mercedes Way, Edgewood, New York 11717. If you revoke your consent, you will be removed from the householding program within 30 days of receipt of your revocation, and each stockholder at your address will receive individual copies of the Company's disclosure documents.

Stockholders of record residing at the same address and currently receiving multiple copies of the Annual Report and Proxy Statement and who wish to receive a single copy may also contact Broadridge Investor Communications Services at the phone number and address noted above. Beneficial owners will need to contact their broker, bank, or other holder of record to request that only a single copy of each document be mailed to all stockholders at the shared address in the future.

The Company hereby undertakes to deliver upon oral or written request a separate copy of its Proxy Statement and Annual Report to a security holder at a shared address to which a single copy was delivered. If such stockholder wishes to receive a separate copy of such documents, please contact Terri Allen, Investor Relations, either by calling toll-free (800) 828-4411 or by writing to Paychex, Inc., 911 Panorama Trail South, Rochester, New York 14625-2396, Attention: Investor Relations.

If you own Paychex stock beneficially through a bank, broker, or other nominee, you may already be subject to householding if you meet the criteria. If you wish to receive a separate Proxy Statement and Annual Report in future mailings, you should contact your bank, broker, or other nominee.

How Do I Submit a Proposal for Next Year's Annual Meeting?

Stockholder proposals, which are intended to be presented at the 2017 Annual Meeting of Stockholders, for inclusion in the Company's proxy statement pursuant to SEC Rule 14a-8, must be received by the Company at its executive offices on or before May 13, 2017. Any such proposals, including stockholder proposals for candidates for nomination for election to the Board, must be submitted in accordance with applicable SEC rules and regulations, and follow the Company's procedures under "Communications with the Board of Directors."

Stockholder proposals that are intended to be presented at the 2017 Annual Meeting of Stockholders but not included in the Company's proxy statement must be received by the Company's Corporate Secretary at our executive offices on or before July 27, 2017. We will not permit stockholder proposals that do not comply with the foregoing notice requirement to be brought before the 2017 Annual Meeting of Stockholders.

APPENDIX A

PAYCHEX, INC. RECONCILIATION OF PERFORMANCE MEASURES TO THOSE REPORTED IN THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

Under the Company's incentive compensation programs, performance targets are often based on measures of service revenue and operating income, net of certain items (see Note 1 below regarding this non-GAAP measure). In evaluating achievement, the programs allow for certain adjustments to be made to the results reported in the consolidated financial statements. For fiscal 2016 and fiscal 2015, adjustments were related to businesses acquired.

The following table reconciles the results reported in our consolidated financial statements to those representing achievement under the award agreement for the July 2014 performance shares.

In millions	Year ended May 31,		
	2016	2015	2-Year Performance Period
Service revenue	\$2,906	\$2,698	\$ 5,604
Adjustments:			
Service revenue associated with acquired businesses	(18)	—	(18)
Service revenue, as calculated under the award	\$2,888	\$2,698	\$ 5,586
Operating income (GAAP measure)	\$1,147	\$1,054	\$ 2,201
Less: Interest on funds held for clients	(46)	(42)	(88)
Operating income, net of certain items (see Note 1)	1,101	1,012	2,113
Adjustments allowed under the award:			
Operating income, net of certain items, associated with acquired businesses	(6)	—	(6)
Operating income, net of certain items, as calculated under the award	\$1,095	\$1,012	\$ 2,107

Note 1: Operating income, net of certain items, as reported in our consolidated financial statements is a non-GAAP measure that is provided in addition to operating income, a U.S. GAAP measure. We believe operating income, net of certain items, is an appropriate measure, as it is an indicator of our core business operations performance period over period. It is also the basis of the measure used internally for establishing the following year's targets and measuring management's performance in connection with certain performance-based compensation payments and awards. Operating income, net of certain items, excludes interest on funds held for clients. Interest on funds held for clients is an adjustment to operating income due to the volatility of interest rates, which are not within the control of management. Operating income, net of certain items, is not calculated through the application of GAAP and is not the required form of disclosure by the SEC. As such, it should not be considered as a substitute for the GAAP measure of operating income and, therefore, should not be used in isolation, but in conjunction with the GAAP measure. The use of any non-GAAP measure may produce results that vary from the GAAP measure, and may not be comparable to a similarly defined non-GAAP measure used by other companies.

APPENDIX B

PAYCHEX, INC. PEER GROUP

\$ In Millions Company Name	Paychex Peer Group					
	Ticker	Reported Fiscal Year End	Net Income ⁽¹⁾	Market Cap ⁽²⁾	Revenue ⁽¹⁾	Net Income as a % of Revenue
Direct Competitor Payroll						
Automatic Data Processing, Inc.	ADP	Jun-16	\$ 1,493	\$ 41,865	\$ 11,668	13%
Financial Transaction Management						
Fiserv, Inc.	FISV	Dec-15	\$ 712	\$ 20,606	\$ 5,254	14%
The Western Union Company	WU	Dec-15	\$ 838	\$ 8,998	\$ 5,484	15%
Total System Services, Inc.	TSS	Dec-15	\$ 364	\$ 9,103	\$ 2,780	13%
Global Payments Inc.	GPN	May-16	\$ 272	\$ 11,995	\$ 2,898	9%
The Brink's Company	BCO	Dec-15	\$ (12)	\$ 1,411	\$ 3,061	—%
Business Services and Outsourcing						
DST Systems, Inc.	DST	Dec-15	\$ 358	\$ 3,912	\$ 2,825	13%
The Dun & Bradstreet Corporation	DNB	Dec-15	\$ 169	\$ 3,752	\$ 1,637	10%
Broadridge Financial Solutions, Inc.	BR	Jun-16	\$ 308	\$ 7,713	\$ 2,897	11%
Robert Half International Inc.	RHI	Dec-15	\$ 358	\$ 6,185	\$ 5,095	7%
Intuit Inc.	INTU	Jul-16	\$ 979	\$ 28,458	\$ 4,694	21%
Iron Mountain Incorporated	IRM	Dec-15	\$ 123	\$ 5,707	\$ 3,008	4%
Moody's Corporation	MCO	Dec-15	\$ 941	\$ 19,677	\$ 3,485	27%
H&R Block, Inc.	HRB	Apr-16	\$ 374	\$ 4,463	\$ 3,038	12%
TD AMERITRADE Holding Corporation	AMTD	Sep-15	\$ 813	\$ 17,098	\$ 3,247	25%
Paychex, Inc.	PAYX	May-16	\$ 757	\$ 19,541	\$ 2,952	26%
Paychex Percentile Rank			67%	73%	33%	93%

(1) Information in the above table is obtained from the Annual Report on Form 10-K as filed with the SEC, or from the entity's fiscal year-end earnings release.

(2) Market capitalization is as of each company's fiscal year-end, with the exception of Intuit, Inc. For Intuit, Inc., market capitalization was calculated using an ending stock price on July 29, 2016 and shares outstanding as of April 30, 2016.

HELPFUL RESOURCES

Visit the website, or scan the QR codes to access these sites with your mobile device.

Paychex website
www.paychex.com



Annual Meeting
<http://investor.paychex.com/annual-meeting.aspx>



Proxy Statement and Annual report
<http://investor.paychex.com/annual-report.aspx>



Proxy Voting
www.proxyvote.com



Investor Relations
<http://investor.paychex.com>



Governance
<http://investor.paychex.com/governance>




ABOUT PAYCHEX

Paychex, Inc. (NASDAQ:PAYX) is a leading provider of integrated human capital management solutions for payroll, HR, retirement, and insurance services. By combining its innovative software-as-a-service technology and mobility platform with dedicated, personal service, Paychex empowers small- and medium-sized business owners to focus on the growth and management of their business. Backed by 45 years of industry expertise, Paychex serves approximately 605,000 payroll clients as of May 31, 2016 across more than 100 locations and pays one out of every 12 American private sector employees. Learn more about Paychex by visiting www.paychex.com and stay connected on Twitter and LinkedIn.



 twitter.com/paychex

 facebook.com/paychex

 linkedin.com/company/paychex



VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

DETACH AND RETURN THIS PORTION ONLY

The Board of Directors recommends you vote FOR the following:

1. Election of Directors

Nominees	For	Against	Abstain
1a. B. Thomas Golisano	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1b. Joseph G. Doody	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1c. David J.S. Flaschen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1d. Phillip Horsley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1e. Grant M. Inman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1f. Pamela A. Joseph	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1g. Martin Mucci	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1h. Joseph M. Tucci	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1i. Joseph M. Velli	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Board of Directors recommends you vote FOR proposals 2 and 3

	For	Against	Abstain
2. ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

NOTE: SHARES ISSUED TO OR HELD FOR THE ACCOUNT OF THE UNDERSIGNED UNDER THE ESOP WILL BE VOTED AS DIRECTED. IF NO DIRECTION IS MADE, IF THE CARD IS NOT SIGNED, OR IF THE CARD IS NOT RECEIVED BY FRIDAY OCTOBER 7, 2016, THE SHARES ISSUED TO OR HELD FOR THE ACCOUNT OF THE PARTICIPANT WILL BE VOTED BY THE ESOP TRUSTEE IN THE SAME PROPORTION AS ESOP SHARES FOR WHICH INSTRUCTIONS HAVE BEEN RECEIVED.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date

Signature (Joint Owners)	Date



September 9, 2016

Dear Paychex Stockholder:

The Board of Directors cordially invites you to attend our Annual Meeting of Stockholders (the "Annual Meeting") on Wednesday, October 12, 2016 at 10:00 a.m. Eastern Time at The Strong, One Manhattan Square, Rochester, NY, 14607.

The accompanying booklet includes the formal Notice of Annual Meeting of Stockholders and the Proxy Statement. The Proxy Statement tells you about the agenda items and the procedures for the Annual Meeting. It also provides certain information about Paychex, Inc., its Board of Directors, and its Named Executive Officers.

It is important that your shares be represented at the Annual Meeting. Whether or not you plan to attend the Annual Meeting, you are encouraged to vote. You may vote by Internet, telephone, proxy card, or written ballot at the Annual Meeting. We encourage you to use the Internet as it is the most cost-effective way to vote. If you elected to electronically access the Proxy Statement and Annual Report, you will not be receiving a proxy card and must vote via the Internet.

We hope you will be able to attend the Annual Meeting and would like to take this opportunity to remind you that your vote is important. If you need special assistance at the Annual Meeting, please contact the Corporate Secretary at (800) 828-4411, or write to Paychex, Inc., 911 Panorama Trail South, Rochester, New York 14625-2396. Attention: Corporate Secretary.

Sincerely,

Martin Mucci
President and Chief Executive Officer

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice & Proxy Statement, Annual Report is/are available at www.proxyvote.com.

PAYCHEX, INC.
Proxy Solicited on Behalf of the Board of Directors
of Paychex, Inc. for the Annual Meeting, October 12, 2016

PROXY

The undersigned hereby appoints MARTIN MUCCI and EFRAIN RIVERA, or either of them, with full power of substitution, attorneys and proxies to represent the undersigned at the Annual Meeting of Stockholders to be held on October 12, 2016 ("Annual Meeting"), and at any adjournment thereof, with all the powers which the undersigned would possess if personally present to vote all shares of stock which the undersigned may be entitled to vote at said Annual Meeting. **The shares represented by this proxy will be voted as instructed by you and in the discretion of the proxy on all other matters. If not otherwise specified in this proxy card, shares will be voted in accordance with the recommendations of the Board of Directors.**

If shares of Paychex, Inc. Common Stock are issued to or held for the account of the undersigned under the Paychex Employee Stock Ownership Plan Stock Fund ("ESOP") of the Paychex, Inc. 401(k) Incentive Retirement Plan, then the undersigned hereby directs the trustee of the ESOP to vote all shares of Paychex, Inc. Common Stock in the undersigned's name and/or account under such plan in accordance with the instructions given herein, at the Annual Meeting and at any adjournment thereof, on all matters properly coming before the Annual Meeting, including but not limited to the matters set forth on the reverse side.

THIS PROXY IS SOLICITED ON BEHALF OF THE COMPANY'S BOARD OF DIRECTORS. PLEASE MARK, SIGN, DATE AND RETURN IT IN THE ENCLOSED ENVELOPE. IF NOT OTHERWISE MARKED, THE SHARES REPRESENTED BY THIS PROXY SHALL BE VOTED "FOR" EACH OF THE NOMINEES IN PROPOSAL 1, "FOR" PROPOSAL 2, AND "FOR" PROPOSAL 3.

Continued and to be signed on reverse side