

PAYCHEX INC
Form DEF 14A
September 03, 2010

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

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No. _____)

Filed by the Registrant

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):

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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September 3, 2010

Dear Paychex Stockholder:

The Board of Directors cordially invites you to attend our Annual Meeting of Stockholders (the Annual Meeting) on Wednesday, October 13, 2010 at 10:00 a.m. Eastern Time at the Dryden Theatre at George Eastman House, 900 East Avenue, Rochester, New York. *Please note this is a change in venue from prior years.*

This 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,

B. Thomas Golisano
Chairman of the Board of Directors

*****IMPORTANT CHANGE TO VOTING RULES*****

Due to changes to New York Stock Exchange broker voting rules, your broker can no longer vote your shares for the election of directors absent instructions from you. If you do not provide voting instructions, your shares will not be voted or counted on several important matters. Please vote using the enclosed proxy card or the other means described in the Proxy Statement.

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PAYCHEX, INC.

911 Panorama Trail South Rochester, New York 14625-2396

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

- Date and Time:** 10:00 a.m. Eastern Time on Wednesday, October 13, 2010.
- Location:** Dryden Theatre at George Eastman House, 900 East Avenue, Rochester, New York, 14607.
- Items of Business:**
- (1) To elect six nominees to the Board of Directors for one-year terms;
 - (2) To amend the Paychex, Inc. 2002 Stock Incentive Plan (the 2002 Plan), including an increase in the shares available under the 2002 Plan;
 - (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 Annual Meeting, or any adjournment thereof.
- Record Date:** Stockholders of record as of the close of business on August 16, 2010, are entitled to notice of, and to vote at, the Annual Meeting.
- Voting:** Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented and voted at the Annual Meeting. You may vote either by signing and returning the enclosed proxy card, via the Internet, by telephone, or by written ballot at the Annual Meeting as more fully described in the Proxy Statement.
- Annual Meeting Webcast:** The Annual Meeting will be simultaneously broadcast over the Internet at 10:00 a.m. Eastern Time on October 13, 2010. Please note that you will not be able to vote or ask questions through the webcast. It can be accessed at the Investor Relations page at www.paychex.com, and will be archived and available for replay for approximately one month.

September 3, 2010
By Order of the Board of Directors
John M. Morphy
Corporate Secretary

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2010
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON OCTOBER 13, 2010**

Paychex, Inc.'s Proxy Statement and Annual Report for the year ended May 31, 2010 are available at
<http://investor.paychex.com/annual.aspx>

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PROXY STATEMENT

**2010 ANNUAL MEETING OF STOCKHOLDERS OF PAYCHEX, INC.
TO BE HELD ON OCTOBER 13, 2010**

This Proxy Statement is being mailed to stockholders of Paychex, Inc. (Paychex, the Company, we, or our), a Delaware corporation, on or about September 3, 2010, in connection with the solicitation of proxies by the Board of Directors of the Company (the Board) to be voted at the 2010 Annual Meeting of Stockholders (the Annual Meeting). The Annual Meeting will be held on Wednesday, October 13, 2010 at 10:00 a.m. Eastern Time at the Dryden Theatre at George Eastman House, 900 East Avenue, Rochester, New York, 14607.

Stockholders Entitled to Vote; Outstanding Shares; Quorum

Paychex has one class of shares outstanding, designated common stock, \$0.01 par value per share. The Board has fixed the close of business on August 16, 2010 as the record date for determining the holders of common stock entitled to notice of, and to vote at, the Annual Meeting. As of the record date, 361,990,308 shares of common stock were issued and outstanding. A majority of the issued and outstanding shares (180,995,155 shares) present at the Annual Meeting in person or by proxy will constitute a quorum. A quorum is necessary to hold a valid meeting. Stockholders will be entitled to one vote for each share of common stock held as of the record date.

How to Vote

Your vote is very important and we hope that you will attend the Annual Meeting. However, whether or not you plan to attend the Annual Meeting, please vote by proxy.

Registered Stockholders. 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 of those shares. Please vote by proxy in accordance with the instructions on your proxy card, or the instructions you receive through electronic mail.

There are three convenient ways to submit your vote by proxy:

Voting by Internet You can vote via the Internet by visiting the website noted on your proxy card. 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.

Voting by telephone You can also vote your shares by telephone by calling the toll-free telephone number indicated on your proxy card and following the voice prompt instructions. Telephone voting is available 24 hours a day.

Voting by mail If you choose to vote by mail, simply 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 be receiving a proxy card and must vote via the Internet.

The deadline for Internet or telephone voting is 11:59 p.m. Eastern Time on Tuesday, October 12, 2010. If you vote by telephone or the Internet, you do not need to return your proxy card. Signing and returning your proxy card or submitting your proxy via the Internet or by telephone does not affect your right to vote in person if you attend the Annual Meeting and your shares are registered in your name.

Beneficial Stockholders. If you hold your shares through a broker, bank, or other holder of record, you are not a registered stockholder, but rather are considered a beneficial owner of those shares. In order to vote your shares, please refer to the voting instruction form or other materials forwarded to you by your broker, bank, or other holder of record. If your shares are held in the name of a broker, bank, or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote in person at the Annual Meeting.

Voting by Participants in the Paychex Employee Stock Ownership Plan Stock Fund. If a stockholder is a participant in the Paychex Employee Stock Ownership Plan Stock Fund (ESOP) of the Paychex 401(k) Incentive Retirement Plan (the 401(k) Plan), the stockholder can vote using the previously described methods. This will serve as a voting instruction for Fidelity Management Trust Company (the Trustee), where all accounts are

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registered in the same name. As a participant in the ESOP, the stockholder has the right to direct the Trustee, who is the holder of record, regarding how to vote the shares of common stock credited to the participant's account at the Annual Meeting. The participant's voting instructions will be tabulated confidentially. Only the Trustee and/or the tabulator will have access to the participant's individual voting direction. If voting instructions for the shares of common stock in the ESOP are not received, those shares will be voted by the Trustee in the same proportions as the shares for which voting instructions were received from other participants in the ESOP. Voting by ESOP participants will close at 11:59 p.m. Eastern Time on October 7, 2010. The Trustee will then vote all shares of common stock held in the ESOP by the established deadline.

Revoking Your Proxy

Registered stockholders can revoke their 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 stockholders should contact their broker, bank, or other holder of record for instructions on how to change their vote.

General Information on Voting

All votes properly cast and not revoked will be voted at the Annual Meeting in accordance with the stockholder's directions. Shares voted by proxy card received without choices specified will be voted as follows:

FOR the six nominees for election to the Board;

FOR the amendments to the Paychex, Inc. 2002 Stock Incentive Plan (as amended and restated October 12, 2005) (the "2002 Plan"); and

FOR the ratification of the selection of the independent registered public accounting firm (the "independent accountants").

If a broker holds your shares in its name, and you do not provide your voting instructions to them, that broker is permitted to use its own discretion and vote your shares on routine matters. Proposal 3 to ratify the selection of the independent accountants is a routine matter. However, a broker does not have discretion to vote your shares on non-routine matters. Proposal 1, the election of directors, and Proposal 2, the amendments to the 2002 Plan, are non-routine matters. *Therefore, we urge you to give voting instructions to your broker on all three voting items.* Shares that are not permitted to be voted by your broker are called "broker non-votes." 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.

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 the election of directors, abstentions will have no direct impact.

Vote Required

Our 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. However, if the number of nominees exceeds the number of directors to be elected, the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. A majority of the votes cast means that the number of shares voted for the election of a director nominee must exceed the number of votes cast against the nominee. 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 of the Board shall consider such offer and will make a recommendation to the Board on whether to

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accept or reject the resignation, or whether other action should be taken. The Board will consider the committee's recommendation and will determine whether to accept such offer.

The table below shows the vote required to approve each of the proposals described in this Proxy Statement, assuming the presence of a quorum at the Annual Meeting.

Proposal Number	Proposal Description	Vote Required
Proposal 1	Election of six nominees to the Board of Directors	Majority of the votes duly cast
Proposal 2	To amend the 2002 Plan, including an increase in the shares available under the 2002 Plan	Majority of the shares present in person or by proxy and entitled to vote
Proposal 3	Ratification of the selection of the independent accountants	Majority of the shares present in person or by proxy and entitled to vote

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The following table sets forth information, based upon reports filed by such persons with the Securities and Exchange Commission (SEC), as of July 31, 2010, with respect to the beneficial ownership of common stock of the Company by: (i) any person (including any group as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) who is known by the Company to be the beneficial owner of more than 5% of the Company's voting securities; (ii) each director and nominee for director of the Company; (iii) each of the named executive officers (NEOs) of the Company named in the Fiscal 2010 Summary Compensation Table on page 33 of this Proxy Statement; and (iv) all directors, NEOs, and executive officers of the Company as a group.

Name	Amount of Beneficial Ownership of Common Stock ⁽¹⁾	Percent of Class ⁽¹⁾
More than 5% owners:		
B. Thomas Golisano ^{(2),(3),(4)} 1 Fishers Road Pittsford, NY 14534	38,074,456	10.5%
Capital World Investors ⁽⁵⁾ 333 South Hope Street Los Angeles, CA 90071	31,113,299	8.5%
Capital Research Global Investors ⁽⁶⁾ 333 South Hope Street Los Angeles, CA 90071	21,021,541	5.8%
Directors:		
B. Thomas Golisano ^{(2),(3),(4)}	38,074,456	10.5%
David J. S. Flaschen ^{(7),(8)}	84,830	**
Grant M. Inman ^{(4),(7),(8)}	248,540	**
Pamela A. Joseph ^{(7),(8)}	29,091	**
Jonathan J. Judge ^{(8),(9)}	1,385,165	**
Joseph M. Tucci ^{(7),(8)}	71,591	**
Joseph M. Velli ^{(7),(8)}	27,924	**
Named Executive Officers:		
Jonathan J. Judge ^{(8),(9)}	1,385,165	**
John M. Morphy ^{(7),(8)}	259,262	**
Delbert M. Humenik ^{(7),(8)}	23,846	**
Martin Mucci ^{(7),(8)}	235,224	**
William G. Kuchta ^{(7),(8)}	138,659	**
All directors, NEOs, and executive officers of the Company as a group (12 persons)^{(7),(8)}	40,591,669	11.1%

** Indicated percentage is less than 1%.

- (1) Based upon the number of shares of common stock issued and outstanding as of July 31, 2010. 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.
- (2) Included in shares beneficially owned for Mr. Golisano are 393,068 shares owned by the B. Thomas Golisano Foundation for which Mr. Golisano is a member of the foundation's six-member board of trustees.
- (3) Mr. Golisano has 11,430,295 shares pledged as security.
- (4) Included in shares beneficially owned are shares held in the names of family members or other entities: Mr. Golisano 72,141 shares; and Mr. Inman 136,949 shares.
- (5) Beneficial ownership information is based on information contained in the Form 13F filed with the SEC on May 14, 2010 by Capital World Investors. Capital World Investors, a division of Capital Research and

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Management Company (CRMC), is deemed to be the beneficial owner of 31,113,299 shares as a result of CRMC s acting as investment advisor to various investment companies registered under Section 8 of the Investment Company Act of 1940.

- (6) Beneficial ownership information is based on information contained in the Form 13F filed with the SEC on May 14, 2010 by Capital Research Global Investors. Capital Research Global Investors, a division of CRMC, is deemed to be the beneficial owner of 21,021,541 shares as a result of CRMC s acting as investment advisor to various investment companies registered under Section 8 of the Investment Company Act of 1940.
- (7) Included in shares beneficially owned are unvested restricted stock: Mr. Flaschen 5,672 shares; Mr. Inman 5,672 shares; Ms. Joseph 5,672 shares; Mr. Tucci 5,672 shares; Mr. Velli 5,672 shares; Mr. Morphy 75,750 shares; Mr. Humenik 12,645 shares; Mr. Mucci 29,635 shares; Mr. Kuchta 22,878 shares; and all directors, NEOs, and executive officers as a group 176,409 shares.
- (8) Included in shares beneficially owned are shares that may be acquired upon exercise of options, which are exercisable on or prior to September 29, 2010: Mr. Flaschen 63,251 shares; Mr. Inman 63,251 shares; Ms. Joseph 18,251 shares; Mr. Judge 1,330,161 shares; Mr. Tucci 63,251 shares; Mr. Velli 15,251 shares; Mr. Morphy 169,032 shares; Mr. Humenik 11,201 shares; Mr. Mucci 195,728 shares; Mr. Kuchta 105,016 shares; and all directors, NEOs, and executive officers as a group 2,039,024 shares.
- (9) Mr. Judge resigned from his position of President and Chief Executive Officer (CEO) effective July 31, 2010. Transactions resulting from his separation agreement are reflected in the totals disclosed.

Table of Contents**PROPOSAL 1 ELECTION OF DIRECTORS FOR A ONE-YEAR TERM**

Stockholders annually elect directors to serve for one year and until the directors' successors have been elected and qualified. The six persons listed below, each of whom currently serves as a director, have been nominated for election to the Board by the Company's Governance and Compensation Committee. Five of the six nominees are neither employees nor former employees of the Company. If elected, each nominee will hold office until the 2011 Annual Meeting of Stockholders and until his or her successor is elected and has qualified. Although the Board believes that all of the nominees will be available to serve as a director, the persons named in the enclosed proxy may exercise discretionary authority to vote for substitute nominees proposed by the Board. Below 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. Also included below are any public company directorships held during the past five years and directors' periods of service to our Board.

Name	Age	Director Since	Position, Principal Occupation, Business Experience, Directorships, and Qualifications
B. Thomas Golisano	68	1979	Mr. Golisano founded Paychex in 1971 and is Chairman of the Board of the Company. Until October 2004, he served as President and Chief Executive Officer of the Company. He serves on the board of trustees of the Rochester Institute of Technology. He owns the Buffalo Sabres of the National Hockey League. Mr. Golisano serves as a director of numerous non-profit organizations and private companies, and is founder and member of the board of trustees of the B. Thomas Golisano Foundation. He serves on our Executive Committee. Mr. Golisano has extensive executive experience as the founder and former Chief Executive Officer of Paychex, which provides him with an intimate knowledge of the operations of the Company and qualifies him to lead the Board.
David J. S. Flaschen	54	1999	Mr. Flaschen is a Partner of Castanea Partners, which he joined in 2005. Castanea Partners is a private equity investment firm targeting small- to mid-market companies in education information services, marketing services, and branded consumer product and specialty retail sectors. From 2000 to 2005, he was Managing Director of Flagship Ventures, a venture capital firm that focuses on life science, information technology, and communications companies. Mr. Flaschen is a director of various private companies. He is the Chairman of our Audit Committee and serves on our Investment Committee and Governance and Compensation Committee. Mr. Flaschen has extensive executive experience in

information and marketing services. His financial expertise is a great benefit to the Board and Audit Committee, acquired through his role in assessing financial performance of other companies and in reviewing and understanding financial statements.

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Name	Age	Director Since	Position, Principal Occupation, Business Experience, Directorships, and Qualifications
Grant M. Inman	68	1983	Mr. Inman is the founder and General Partner of Inman Investment Management, a private investment company formed in 1998. He is a director of Lam Research Corporation and several private companies. He was a director of Wind River Systems, Inc. until July 2009. Mr. Inman is a trustee of the University of California, Berkeley Foundation. He is the Chairman of our Investment Committee and serves on our Audit Committee and Governance and Compensation Committee. Mr. Inman has a strong background in finance, business, and entrepreneurial experience, and has expertise in investment management. Mr. Inman's 27-year tenure on the Board provides him with extensive knowledge of the Company.
Pamela A. Joseph	51	2005	Ms. Joseph is 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. U.S. Bancorp Payment Services and Elavon manage and facilitate payment processing. Ms. Joseph has been Vice Chairman of U.S. Bancorp since December 2004 and serves on its 14-member managing committee. She is a director of Centene Corporation. Ms. Joseph serves on our Audit Committee. She has extensive executive experience in the financial services industry, and brings a wealth of technology insight to the Board and Audit Committee.
Joseph M. Tucci	63	2000	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. Mr. Tucci is also Chairman of the Board of Directors of VMware, Inc. He is Chairman of our Governance and Compensation Committee. Mr. Tucci's experience as Chief Executive Officer of EMC Corporation provides him with extensive executive management experience and knowledge of the challenges a company faces due to rapid changes in the marketplace.

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Name	Age	Director Since	Position, Principal Occupation, Business Experience, Directorships, and Qualifications
Joseph M. Velli	52	2007	Mr. Velli has been Chairman and Chief Executive Officer of BNY ConvergEx Group, LLC, a leading global agency brokerage and technology company offering a comprehensive suite of investment services, since October 2006. Prior to formation of BNY ConvergEx Group, he was a Senior Executive Vice President of The Bank of New York since September 1998 and assumed the additional role of Chief Executive Officer of BNY Securities Group in October 2002. He is a director of E-Trade Financial Corporation. He serves on our Investment Committee and Governance and Compensation Committee. Mr Velli has extensive knowledge of the capital markets and plays a key role in the Board's discussions of the Company's investments and liquidity.

The Board of Directors recommends the election of each of the nominees identified above. Unless otherwise directed, the persons named in the enclosed proxy will vote the proxy FOR the election of each of these six nominees.

Jonathan J. Judge resigned from his position of President and CEO of Paychex effective July 31, 2010, and has decided not to stand for re-election to the Board.

Table of Contents**DIRECTOR COMPENSATION****FOR THE FISCAL YEAR ENDED MAY 31, 2010**

Director compensation is set by the Governance and Compensation Committee and approved by the Board. The Board's authority cannot be delegated to another party. The Company compensates the independent directors of the Board using a combination of cash and equity-based compensation. The Company's management does not play a role in setting Board compensation. Jonathan J. Judge, President and CEO of the Company during the fiscal year ended May 31, 2010 (fiscal 2010), received no compensation for his services as a director. The compensation received by Mr. Judge in his role as President and CEO is shown in the Fiscal 2010 Summary Compensation Table on page 33 of this Proxy Statement.

Cash Compensation

The annual cash compensation paid to the independent directors in effect for fiscal 2010 is as follows:

Compensation Element	Amount
Annual cash retainer, applicable to all independent directors	\$ 45,000
Audit Committee member annual retainer	\$ 7,500
Governance and Compensation Committee member annual retainer	\$ 5,000
Investment Committee member annual retainer	\$ 5,000
Executive Committee member annual retainer	\$ 5,000
Audit Committee Chairman annual retainer	\$ 15,000
Governance and Compensation Committee Chairman annual retainer	\$ 7,500

The cash compensation component is comprised solely of annual retainers, which are paid in quarterly installments. The retainers for the chairmen of the Audit Committee and Governance and Compensation Committee were included to provide compensation for those Board members who contribute additional time in preparation for committee meetings. Effective July 7, 2010, the annual cash retainer was increased by \$25,000, the Audit Committee and Governance and Compensation Committee member annual retainers each increased by \$2,500, and both the Audit Committee and Governance and Compensation Committee Chairmen's annual retainers increased by \$5,000.

Prior to January 1, 2010, Mr. Golisano, who is not an independent director, received an annual salary of \$140,000 for his services as Chairman of the Board. Beginning on January 1, 2010, Mr. Golisano's cash compensation was changed to a director's annual retainer of \$140,000 annually, paid in quarterly installments. The Chairman does not receive any equity-based compensation. Effective July 7, 2010, the Board approved an increase to the Chairman's annual retainer of \$60,000, in conjunction with the other increases to director cash compensation.

Table of Contents**Equity-Based Compensation**

Equity-based compensation consists of a blend of stock options and restricted stock. In July 2009, the restricted stock award granted in July 2006 lapsed. There were 1,334 shares lapsed resulting in a value of \$32,843 each for Mr. Flaschen, Mr. Horsley (who retired from the Board in October 2009), Mr. Inman, Ms. Joseph, and Mr. Tucci. In July 2009, each independent director received an annual award under the 2002 Plan as follows:

	Restricted Stock Awards	Option Awards
Grant Date	July 9, 2009	July 9, 2009
Exercise Price	NA	\$24.21
Quantity	1,875	6,250
Vesting Schedule	On the third anniversary of the date of grant.	One-third per annum over three years from the date of grant.
Certain Restrictions	Shares may not be sold during the director's tenure as a member of the Board, except as necessary to satisfy tax obligations.	
Other	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. ⁽¹⁾	Unvested options outstanding upon the retirement of a Board member will be canceled.

⁽¹⁾ Retirement eligibility for this purpose begins at age 55 or older with ten years of service as a member of the Board.

The equity-based compensation structure for the independent directors has been typically based on a total fixed value of \$120,000 per director, with approximately 50% awarded in the form of stock options and 50% in the form of restricted stock. The quantity of equity awards granted varies based on the estimated fair value as of the grant date. The July 2009 award had a calculated total value of approximately \$75,000, which represented a reduction from the established fixed value of \$120,000. The Board determined that it was not in the best interest of the Company's stockholders, given economic conditions at that time, to base directors' equity compensation on the established total fixed value of \$120,000.

In July 2010, the Board granted each independent director 7,686 options to purchase shares of the Company's common stock at an exercise price of \$26.02 per share and 1,922 shares of restricted stock, with terms similar to th