PAYCHEX INC
Form DEF 14A
September 08, 2017
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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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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# NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

## ANNUAL MEETING INFORMATION

**Wednesday, October 11, 2017**

**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 2017 Annual Meeting of Stockholders (the Annual Meeting ) will be:

1. To elect ten 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 hold an advisory vote on the frequency of future advisory votes on named executive officer compensation;

4. To ratify the selection of PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm; and

5. 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 14, 2017 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 8, 2017

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## Welcome to the Paychex, Inc. 2017 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 14, 2017. Please read the proxy statement and vote right away using any of the following methods.

**Stockholders of Record:**

| VOTE BY INTERNET | VOTE BY TELEPHONE | VOTE BY MAIL | VOTE VIA MOBILE DEVICE |
|---|---|---|---|
| Visit the website listed on your proxy card. | Call the telephone number listed on your proxy card. | Sign, date, and return your proxy card in the enclosed envelope. | Scan this QR code. |

**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.

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## 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, 2017 ( fiscal 2017 ), please review the Company s Annual Report on Form 10-K for fiscal 2017.*

### Paychex, Inc. 2017 Annual Meeting of Stockholders

| | | |
|---|---|---|
| **October 11, 2017** | **10:00 a.m., Eastern Time** | **The Strong<br>One Manhattan Square<br>Rochester, New York 14607** |

### 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** | 21 |
| Proposal 3 | Advisory vote on the frequency of future advisory votes on named executive officer compensation | **ONE YEAR** | 23 |
| Proposal 4 | Ratification of the selection of PricewaterhouseCoopers LLP to serve as our Independent Registered Public Accounting Firm | **FOR** | 54 |

### Fiscal 2017 Business Highlights

| $ in millions, except per share amounts | For the fiscal year ended May 31, 2017 | 2016 | % Change |
|---|---|---|---|
| Service revenue | $ 3,101 | $ 2,906 | 7% |
| Operating income | $ 1,240 | $ 1,147 | 8% |
| Net income | $ 817 | $ 757 | 8% |
| Stock price (high/low) [(1)] | $ 63.03/$52.78 | $ 54.78/$41.59 | 15%/27% |
| Stock price as of fiscal year end | $ 59.23 | $ 54.22 | 9% |

(1) Based on 52-week high and low sale prices as reported on the NASDAQ Global Select Market as of May 31, 2017 and 2016.

Paychex has also focused on returning value to our stockholders and continued with shareholder-friendly actions during fiscal 2017. In July 2016, the Company increased its quarterly dividend by 10% to $0.46 per share. In July 2017, the Company again increased its quarterly dividend by $0.04 per share, or 9%, to $0.50 per share. The Company continued to repurchase its common stock opportunistically and in fiscal 2017 repurchased 2.9 million shares for $166.2 million.

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## Proxy Summary

### Pay-for-Performance

Key features of the executive compensation program that tie compensation to the Company s performance are:

- A significant portion of annual compensation is at risk based on performance. For the President and Chief Executive Officer, 89% of his total target compensation is at risk. On average for other named executive officers ( NEOs ), 85% of their total target compensation is at risk.

- Variable compensation is comprised of an annual cash incentive program and longer-term equity-based incentives. For the annual cash incentive for fiscal 2017, results for certain performance metrics were less than target, resulting in payouts below target.

- Annual grants of performance shares in July 2015 reached the end of the two-year performance period in May 2017. Achievement was slightly below target. The shares earned are restricted for an additional one-year period.

For more information on compensation for our NEOs 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 57 for important information about proxy materials, voting, Annual Meeting procedures, Company documents, communications, and the deadlines to submit stockholder proposals for the 2018 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 2017 Annual Meeting of Stockholders web page at http://investor.paychex.com/annual-meeting.aspx.

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## PROXY STATEMENT

**Paychex, Inc.**

**911 Panorama Trail South**

**Rochester, NY 14625**

Paychex, Inc. ( Paychex, the Company, we, us, or our ), a Delaware corporation, is furnishing this proxy statemer stockholders in connection with the solicitation of proxies on behalf of the Board of Directors of the Company (the Board ) for the 2017 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 8, 2017.

## PROPOSAL 1: ELECTION OF DIRECTORS FOR A ONE-YEAR TERM

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 held 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.

**2017 Nominees for Director**

At the 2017 Annual Meeting, there are ten nominees for election as director, as listed on the following pages. Each of the nominees is a current member of the Board. The ten 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.

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## Election of Directors

The Board believes that the combination of the various qualifications, skills, and experience of the 2017 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.

### Summary of Director Nominees

Our Board is composed of accomplished professionals, with diverse areas of expertise, 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.

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## B. Thomas Golisano

**Founder and Chairman of the Board of Paychex, Inc.**

**Age 75**

**Director since 1979**

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

***SPECIFIC QUALIFICATIONS AND SKILLS:***

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

***Board Committees:***

**Executive**

***Current Public Company Directorships:***

**Twinlab Consolidated Holdings, Inc.**

## Thomas F. Bonadio

**Managing Partner of The Bonadio Group**

**Age 68**

Mr. Bonadio is the founder of The Bonadio Group, the largest independent provider of accounting, business advisory, and financial services in New York

**Director since January 2017**

State outside of Manhattan. Mr. Bonadio has experience serving on publicly traded boards and is currently a director and chair of the audit committee for CurAegis Technologies, formerly Torvec, Inc. He also previously served as a director and audit committee chair for Conceptus, Inc. which is now a wholly owned subsidiary of Bayer AH of Germany, until June 2013.

***Board Committees:***

**Audit**

**Corporate Development Advisory**

***Current Public Company Directorships:***

**CurAegis Technologies (formerly Torvec, Inc.)**

***SPECIFIC QUALIFICATIONS AND SKILLS:***

The Board has concluded that Mr. Bonadio is qualified to serve as a director of the Company due to his strong background in finance and business, his entrepreneurial experience, and his knowledge of the Certified Public Accountant community. Mr. Bonadio is a successful entrepreneur whose experience building his own business is representative of many clients Paychex serves today. 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 the review and understanding of financial statements. This financial expertise is a great benefit to the Board and its committees.

**Joseph G. Doody**

**Vice Chairman of Staples, Inc.**

**Age 65**

**Director since 2010**

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, from January 2013 until February 2014, and President, North American Delivery, from March 2002 to January 2013. Mr. Doody will be retiring from Staples, Inc. effective September 30, 2017. Mr. Doody has experience serving on other public boards, including Casella Waste Systems, Inc. and Virtusa Corporation, which he joined in February 2017. Mr. Doody is Chair of the Foundation Board at the College of Brockport.

***Board Committees:***

**Audit**

***Current Public Company Directorships:***

**Casella Waste Systems, Inc.**

**Virtusa Corporation**

***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 a thorough understanding of the risks and opportunities affecting the Company s clients and potential clients. Mr. Doody also has extensive experience in strategic planning and business development, which allows him to provide valuable input into the Company s plans for market growth.

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## Election of Directors

### David J.S. Flaschen

### Investor and Advisor

**Age 61**

**Director since 1999**

***Board Committees:***

- **Audit (Chair)**
- **Investment**
- **Corporate Development Advisory**
- **G&C**

***Current Public Company Directorships:***

- **Informa plc (London Stock Exchange)**

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 United States ( 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 which is traded on the London Stock Exchange.

***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.

### Phillip Horsley

### Founder of Horsley Bridge Partners

**Age 78**

**Director since 2011**

***(previously served from 1982-2009, reappointed in 2011)***

***Board Committees:***

**Investment**

**G&C**

***Current Public Company Directorships:***

**None**

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 served there until his retirement in 2010.

***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.

**Grant M. Inman**

**Founder and General Partner of Inman Investment Management**

**Age 75**

**Director since 1983**

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.

***Board Committees:***

**Investment (Chair)**

**Audit**

**G&C**

***Current Public Company Directorships:***

**None**

***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.

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## Martin Mucci

### President and Chief Executive Officer of Paychex, Inc.

**Age 57**

**Director since 2010**

***Board Committees:***

**Executive (Chair)**

**Corporate Development Advisory**

***Current Public Company Directorships:***

**None**

Mr. Mucci has served as President and CEO of the Company since September 2010. Mr. Mucci joined the Company in 2002 as Senior Vice President ( SVP ), Operations. Prior to joining Paychex, he held senior level positions with Frontier Communications, a telecommunications company, including President of Telephone Operations and CEO of Frontier Telephone of Rochester, 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.

***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 CEO of Paychex, giving him extensive knowledge of the Company, its operations, challenges, and opportunities. In addition, Mr. Mucci s educational background provides him with strong financial literacy.

## Joseph M. Tucci

### Founder and Co-Chief Executive Officer and Co-Chairman of GTY Technology Holdings, Inc.

**Age 70**

Mr. Tucci is the founder of GTY Technology Holdings Inc., a special purpose acquisitions company, and has been its Co-Chief Executive Officer and Co-Chairman since September 2016. He has been Chairman of Bridge Growth

**Director since 2000**

**Lead Independent Director**

***Board committees:***

**G&C (Chair)**

**Executive**

***Current Public Company Directorships:***

**Motorola Solutions, Inc.**

Partners, LLC, a private equity firm based in New York, since October 2016. Mr. Tucci was the former Chairman of the Board of Directors and CEO of EMC Corporation. He was EMC s Chairman from January 2006 and CEO from January 2001 until September 2016, when Dell Technologies acquired the company. He was Chairman of the Board of Directors for VMWare, Inc. from 2007 through September 2016. He has served on the Board of Directors of Motorola Solutions, Inc. since May 2017, and serves on the boards of various academic and community organizations.

***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.

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## Election of Directors

### Joseph M. Velli

### Retired Financial Services and Technology Executive

**Age 59**

**Director since 2007**

***Board committees:***

**Investment**

**Executive**

**Corporate Development Advisory (Chair)**

**G&C**

***Current Public Company Directorships*:**

**Computershare Ltd. (Australian Stock Exchange) (Remuneration Committee Chairman)**

Mr. Velli previously 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 CEO of ConvergEx Group, LLC, a provider of brokerage, software products and technology services from 2006 to December 2013, and continued to serve on the ConvergEx Board until May 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. Mr. Velli was appointed to the board of trustees for William Paterson University in June 2017.

***SPECIFIC QUALIFICATIONS AND SKILLS:***

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.

### Kara Wilson

### Chief Marketing Officer of Rubrik, Inc.

**Age 47**

**Director since July 2017**

***Board committees:***

**Audit**

***Current Public Company Directorships*:**

**None**

Ms. Wilson is Chief Marketing Officer at Rubrik, Inc., a cloud data management company, since June 2017. She has 20+ years experience in driving go-to-market strategies for large, medium, and hyper-growth start ups. She has held marketing leadership roles with some of the technology industry s most influential companies, including Cisco, SAP, SuccessFactors, PeopleSoft/Oracle, Okta, and FireEye. Prior to Rubrik, Ms. Wilson was Executive Vice President and Chief Marketing Officer of cyber security company FireEye, where she helped launch the most successful security initial public offering in market history and was responsible for the company s global marketing initiatives including corporate, product, and technical marketing, global communications, and field enablement. Ms. Wilson is a graduate of the University of California, Berkeley.

***SPECIFIC QUALIFICATIONS AND SKILLS:***

The Board has concluded that Ms. Wilson is qualified to serve as a director of the Company due to her extensive experience in driving go-to-market strategies for enterprise technology companies. The Board can leverage Ms. Wilson s marketing experience to help Paychex with the development and execution of go-to-market strategies to effectively differentiate the Company in a highly competitive and constantly evolving industry. Ms. Wilson has experience at global companies and can provide insight on any expansion of the Company s global presence.

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## DIRECTOR COMPENSATION

## FOR THE FISCAL YEAR ENDED MAY 31, 2017

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 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 2017 Summary Compensation Table, contained in the Named Executive Officer Compensation section of this proxy statement.

Board compensation is approved by the G&C Committee in January for the upcoming calendar year. In January 2017, the annual cash retainer applicable to all independent directors was increased from $75,000 to $80,000. The Audit Committee Chair and G&C Committee Chair annual retainers were each increased by $2,000 to $22,000 and $14,500, respectively. In addition, a $2,000 annual retainer was established for both the Investment Committee Chair and the Corporate Development Advisory Committee Chair. In January 2017, the total estimated value of equity-based compensation for independent directors was increased from approximately $125,000 to approximately $130,000. These changes to Board compensation were made based on a review of Peer Group benchmarking information provided to the G&C Committee by its independent compensation consultant.

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.

The table below presents the total compensation received from the Company by all directors except Mr. Mucci for fiscal year ended May 31, 2017 ( fiscal 2017 ).

| Name<br>(a) | Fees Earned or Paid in Cash<br>(b) | Stock Awards<br>(c) | Option Awards<br>(d) | Total |
|---|---|---|---|---|
| B. Thomas Golisano | $ 300,000 | $ | $ | $ 300,000 |
| Thomas F. Bonadio [1] | $ 47,500 | $ 32,456 | $ 32,149 | $ 112,105 |
| Joseph G. Doody | $ 87,500 | $ 65,983 | $ 59,991 | $ 213,474 |
| David J.S. Flaschen | $ 126,000 | $ 65,983 | $ 59,991 | $ 251,974 |
| Phillip Horsley | $ 90,000 | $ 65,983 | $ 59,991 | $ 215,974 |
| Grant M. Inman | $ 101,000 | $ 65,983 | $ 59,991 | $ 226,974 |
| Pamela A. Joseph [2] | $ 72,500 | $ 65,983 | $ 59,991 | $ 198,474 |
| Joseph M. Tucci | $ 99,750 | $ 65,983 | $ 59,991 | $ 225,724 |
| Joseph M. Velli | $ 101,000 | $ 65,983 | $ 59,991 | $ 226,974 |

(1) Mr. Bonadio was appointed to the Board in January 2017.

(2) Ms. Joseph resigned from the Board in March 2017.

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## Director Compensation

### 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 2017, 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 committee chairs (with the exception of the Executive Committee) receive additional retainers in recognition for their time contributed in preparation for committee meetings. The annual retainers in effect for calendar years 2017 and 2016 are as follows:

| Compensation Element | 2017 | 2016 |
|---|---|---|
| Annual cash retainer, applicable to all independent directors | $ 80,000 | $ 75,000 |
| Audit Committee member annual retainer | $ 10,000 | $ 10,000 |
| G&C Committee member annual retainer | $ 7,500 | $ 7,500 |
| Investment Committee member annual retainer | $ 5,000 | $ 5,000 |
| Executive Committee member annual retainer | $ 5,000 | $ 5,000 |
| Corporate Development Advisory Committee member annual retainer | $ 5,000 | $ 5,000 |
| Audit Committee Chair annual retainer (1) | $ 22,000 | $ 20,000 |
| G&C Committee Chair annual retainer (1) | $ 14,500 | $ 12,500 |
| Corporate Development Advisory Committee Chair annual retainer (1) | $ 2,000 | $ |
| Investment Committee Chair annual retainer (1) | $ 2,000 | $ |

(1) The committee Chair receives the Chair annual retainer in addition to the respective committee retainer.

### 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 stock 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 2017, 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 2016, all independent directors, with the exception of Mr. Bonadio, received an annual equity award under the Paychex, Inc. 2002 Stock Incentive Plan, as amended and restated October 14, 2015 (the 2002 Plan ) as follows:

| Restricted Stock Awards | Stock Option Awards |
|---|---|

| | | |
|---|---|---|
| Grant Date | July 7, 2016 | July 7, 2016 |
| Exercise Price | NA | $60.59 |
| Quantity | 1,089 | 10,220 |
| Fair Value [(1)] | $60.59 | $5.87 |
| Vesting Schedule | On the first anniversary of the date of grant. | On the first anniversary of the date of grant. |
| Certain Restrictions | Shares may not be sold during the director s tenure as a member of the Board, except as necessary to satisfy tax obligations. | 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 July 7, 2016 fair value of $5.87 per share for these stock options were: risk-free rate of 1.3%; dividend yield of 3.6%; volatility factor of 0.18; 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.

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## Director Compensation

Mr. Bonadio received a prorated equity award, granted January 15, 2017, upon his appointment to the Board. He received 528 restricted stock awards at a fair value of $61.47 per share and 4,404 stock options with an exercise price of $61.47 per share and a fair value of $7.30 per share. All other terms of these awards are consistent with the July 2016 annual equity grants to the independent directors. The assumptions used in determining the January 15, 2017 fair value of $7.30 per share for his stock options were: risk-free rate of 2.3%; dividend yield of 3.3%; volatility factor of 0.17; and expected option term life of 6.5 years.

As of May 31, 2017, each independent director had the following equity awards outstanding:

| Director | Restricted Stock Outstanding (Shares) | Stock Options Outstanding (Shares) |
|---|---|---|
| Thomas F. Bonadio | 528 | 4,404 |
| Joseph G. Doody | 1,089 | 21,709 |
| David J.S. Flaschen | 1,089 | 85,171 |
| Phillip Horsley | 1,089 | 71,235 |
| Grant M. Inman | 1,089 | 78,921 |
| Pamela A. Joseph [1] | | 68,701 |
| Joseph M. Tucci | 1,089 | 97,421 |
| Joseph M. Velli | 1,089 | 91,421 |

(1) Ms. Joseph resigned from the Board in March 2017.

### 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 2017, no independent directors deferred compensation under the plan.

### Benefits

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

**Stock Ownership Guidelines**

The G&C Committee set stock ownership guidelines for our independent directors with a value of five times his or her annual Board retainer, not including any committee or committee chair 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 currently compliant with the stock ownership guidelines.

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## Director Compensation

### 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

The Company has 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. The Company s pledging policy is posted on the Company s website at http://investor.paychex.com/governance.

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## BENEFICIAL OWNERSHIP OF PAYCHEX COMMON STOCK

The following table contains information, as of July 31, 2017, 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, 2017 [3] | Total Shares Beneficially Owned | Percent of Class |
|---|---|---|---|---|---|
| **Principal Shareholders:** | | | | | |
| B. Thomas Golisano [4],[5],[6] | | | | | |
| 1 Fishers Road | | | | | |
| Pittsford, NY 14534 | 37,930,131 | | | 37,930,131 | 10.5% |
| BlackRock, Inc. [7] | | | | | |
| 55 East 52nd Street | | | | | |
| New York, NY 10055 | 25,127,647 | | | 25,127,647 | 6.9% |
| Vanguard Group Inc. [8] | 23,043,348 | | | 23,043,348 | 6.4% |
| PO Box 2600 V26 | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Valley Forge, PA 19482-2600 | | | | | |
| **Directors:** | | | | | |
| B. Thomas Golisano [4],[5],[6] | 37,930,131 | | | 37,930,131 | 10.5% |
| Thomas F. Bonadio | 9,700 | 1,667 | | 11,367 | ** |
| Joseph G. Doody | 13,393 | 1,139 | 21,709 | 36,241 | ** |
| David J.S. Flaschen | 38,998 | 1,139 | 85,171 | 125,308 | ** |
| Phillip Horsley [6] | 108,951 | 1,139 | 71,235 | 181,325 | ** |
| Grant M. Inman [6] | 211,309 | 1,139 | 78,921 | 291,369 | ** |
| Martin Mucci | 210,668 | 71,745 | 1,365,952 | 1,648,365 | ** |
| Joseph M. Tucci | 47,621 | 1,139 | 91,421 | 140,181 | ** |
| Joseph M. Velli | 21,624 | 1,139 | 91,421 | 114,184 | ** |
| Kara Wilson | | 1,139 | | 1,139 | ** |
| **Named Executive Officers:** | | | | | |
| Martin Mucci | 210,668 | 71,745 | 1,365,952 | 1,648,365 | ** |
| Efrain Rivera | 44,551 | 16,804 | 383,488 | 444,843 | ** |
| Mark A. Bottini | 37,487 | 15,529 | 279,205 | 332,221 | ** |
| John B. Gibson | 12,340 | 15,418 | 215,383 | 243,141 | ** |
| Michael E. Gioja [5] | 45,556 | 15,418 | 309,092 | 370,066 | ** |
| **All directors, NEOs, and executive officers of the Company as a group (17 persons)** | **38,819,198** | **166,270** | **3,505,965** | **42,491,433** | **11.7%** |

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## 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, 2017. 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 64,791 shares; Mr. Horsley 107,862 shares; and Mr. Inman 136,949 shares.

(7) Beneficial ownership is based on information as of June 30, 2017 contained in the Form 13F filed with the SEC on August 10, 2017 by BlackRock, Inc., including notice that it has, along with certain institutional investment managers for which it is the parent holding company, sole voting power as to 22,084,763 shares and sole dispositive power as to 25,127,647 shares.

(8) Beneficial ownership is based on information as of June 30, 2017 contained in the Form 13F filed with the SEC on August 11, 2017 by Vanguard Group Inc., including notice that it has sole voting power as to 481,342 shares, sole dispositive power as to 22,463,755 shares, shared voting power as to 96,274 shares, and shared dispositive power as to 579,593 shares.

## 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 2017, its directors, executive officers, and greater than 10% beneficial owners have complied in a timely manner with all applicable Section 16 filing requirements.

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## CORPORATE GOVERNANCE

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, By-Laws, 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 members of the Board, without members of management present, are held at each regularly-scheduled Board meeting. 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 performance self-evaluations at least annually to assess the qualifications, attributes, skills, and experience represented on the Board and to determine whether the Board and its committees are functioning effectively.

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## Corporate Governance

### 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 is responsible for ensuring an appropriate culture of risk management exists within the Company, overseeing the Company s aggregate risk profile, and monitoring how the Company addresses specific risks. 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** | Risk related to financial statement accuracy and reporting;<br>Internal controls;<br>Legal, regulatory, and compliance risks;<br>Information security, technology, and privacy and data protection; and<br>Other operational and fraud risks. |
| **Investment Committee** | |

| | |
|---|---|
| | Risk related to investing activities. |
| **G&C Committee** | 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. |

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 four meetings in fiscal 2017. To the extent practicable, directors are expected to attend all Board meetings and meetings of the committees on which they serve. During fiscal 2017, each director attended 100% of the meetings of the full Board, and 90% or more of the total 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 then-current directors attended the 2016 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.

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## Corporate Governance

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

### Audit Committee

**Committee Members:** [1]

**David J.S. Flaschen (Chair)** [2]

**Thomas F. Bonadio** [2], [3]

**Joseph G. Doody**

**Grant M. Inman**

**Pamela A. Joseph** [4]

**6 Meetings in fiscal 2017**

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.

### Executive Committee

**Committee Members:**

**Martin Mucci (Chair)**

**B. Thomas Golisano**

**Pamela A. Joseph** [4]

**Joseph M. Tucci** [5]

**Joseph M. Velli**

**0 Meetings in fiscal 2017**

Exercise all the powers and authority of the Board, except as limited by law, between Board meetings and when the Board is not in session.

### Investment Committee

| | |
|---|---|
| **Committee Members:**<br>**Grant M. Inman (Chair)**<br>**David J.S. Flaschen**<br>**Phillip Horsley**<br>**Joseph M. Velli**<br>**2 Meetings in fiscal 2017** | Review the Company s investment policies and strategies, and the performance of the Company s investment portfolios.<br>Determine that the investment portfolios are managed in compliance with the established investment policy. |

### Governance and Compensation Committee

| | |
|---|---|
| **Committee Members:** [6]<br>**Joseph M. Tucci (Chair)**<br>**David J.S. Flaschen**<br>**Phillip Horsley**<br>**Grant M. Inman**<br>**Joseph M. Velli**<br>**3 Meetings in fiscal 2017** | Evaluate and determine compensation for the directors, CEO, and senior executive officers.<br>Provide general oversight with respect to governance of the Board, including periodic review and assessment of corporate governance policies.<br>Evaluate compensation policies to determine if they have risk that is reasonably likely to have a material adverse effect on the Company.<br>Identify, evaluate, and recommend to the Board candidates for nomination for election to the Board.<br>Review annually the independence of directors. |

### Corporate Development Advisory Committee

| | |
|---|---|
| **Committee Members:**<br>**Joseph M. Velli (Chair)**<br>**Thomas F. Bonadio** [3]<br>**David J.S. Flaschen**<br>**Pamela A. Joseph** [4]<br>**Martin Mucci** | 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.<br>Authority to approve acquisitions or divestitures in accordance with the parameters set by the Board, to the extent permitted by law and the Company s By-Laws. |

**2 Meetings in fiscal 2017**

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## Corporate Governance

(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 and Mr. Bonadio qualify as an Audit Committee Financial Expert, as defined by applicable SEC rules.

(3) Mr. Bonadio was appointed to the Audit Committee and the Corporate Development Advisory Committee upon his appointment to the Board in January 2017.

(4) Ms. Joseph resigned from the Board and the respective committees she served on in March 2017.

(5) Mr. Tucci was appointed to the Executive Committee in March 2017.

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

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.

**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-person 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

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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 persons for determination of potential related-person transactions that should be disclosed in the Company s periodic reports to the SEC or under 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 2017, 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 2017, the following transactions in excess of $120,000 were identified and communicated to the G&C Committee:

Mr. Tucci, a member of our Board, was the Chairman of the Board, CEO, and President of EMC Corporation until September 2016. During fiscal 2017, the Company purchased through negotiated transactions approximately $0.6 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 2017, the Company purchased through negotiated transactions approximately $2.9 million of office supplies from Staples, Inc. Mr. Doody was not personally involved in the negotiation of these transactions.

## Governance and Compensation Committee Interlocks and Insider Participation

None of the members of the G&C Committee were at any time during fiscal 2017, 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 a former executive of EMC Corporation. As previously noted, the Company purchases data processing equipment and software from EMC Corporation. During fiscal 2017, 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 chair of any standing committee of the Board. Written communications should be clearly marked and mailed to:

Stockholder and Other Interested Parties  Board Communication

Paychex, Inc.

911 Panorama Trail South

Rochester, New York 14625-2396

Attention: Corporate Secretary

In the case of communications intended for committee chairs, 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.

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## Code of Ethics

### 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.

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## PROPOSAL 2: ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

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 currently 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 2018 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-based restricted stock awards, and performance-based awards.

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 director s and 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.

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## Say-on-Pay Vote

### Results of the 2016 Say-on-Pay Vote

At the 2016 Annual Meeting of Stockholders held on October 12, 2016, approximately 97% of the total stockholder votes cast were in favor of the Company s NEO compensation as presented in our 2016 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 2017, 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, will consider our stockholders concerns and the G&C Committee will evaluate whether actions are necessary to address these concerns.

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## PROPOSAL 3: ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON NAMED EXECUTIVE OFFICER COMPENSATION

In addition to the advisory say-on-pay vote, we are seeking a stockholder advisory vote on the frequency of future say-on-pay votes, as provided here in Proposal 3. Stockholders may indicate how often they would prefer a say-on-pay advisory vote to occur: every year, every two years, or every three years. In addition, stockholders may abstain from voting. The Dodd-Frank Wall Street Reform and Consumer Protection Act requires the Company to hold the advisory vote on the frequency of say-on-pay votes at least once every six years.

After careful consideration, our Board has determined that a vote on say-on-pay every year is the most appropriate for the Company at this time, and recommends that stockholders vote for the Company to hold annual advisory votes on executive compensation, as decisions on executive compensation are made annually. We believe that an annual advisory say-on-pay vote allows us to obtain frequent and timely input from our stockholders regarding corporate governance and executive compensation philosophy, policies, and practices.

The option of every year, every two years, or every three years that receives the vote of the holders of a majority of the voting power entitled to vote will be the frequency for the advisory say-on-pay vote that has been selected by the stockholders. However, as this is an advisory vote, it is not binding on the Company, the G&C Committee, or the Board. The Board will take into account the opinion of our stockholders when determining which frequency for future say-on-pay votes is best suited to the Company.

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## 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 2017, 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 and Product Development |

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## Executive Summary

### Business and Financial Highlights

Our mission is to be the leading provider of payroll, human resource ( HR ) and employee benefit services 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 2017. Reported financial results for fiscal 2017 and the respective growth percentages compared to the fiscal year ended May 31, 2016 ( fiscal 2016 ) were as follows:

| $ in millions, except per share amounts | For the fiscal year ended May 31, 2017 | 2016 | % Change |
|---|---|---|---|
| Payroll service revenue | $1,779 | $1,730 | 3% |
| Human Resource Services revenue | 1,322 | 1,176 | 12% |
| **Total service revenue** | **3,101** | **2,906** | **7%** |
| Interest on funds held for clients | 51 | 46 | 10% |
| **Total revenue** | **$3,152** | **$2,952** | **7%** |
| | | | |
| Operating income | $1,240 | $1,147 | 8% |
| Operating income, net of certain items (1) | $1,189 | $1,101 | 8% |
| Net income | $ 817 | $ 757 | 8% |
| Adjusted net income (1) | $ 799 | $ 736 | 9% |
| Diluted earnings per share | $ 2.25 | $ 2.09 | 8% |
| Adjusted diluted earnings per share (1) | $ 2.20 | $ 2.03 | 8% |
| Operating cash flows | $ 960 | $1,018 | (6%) |

(1) Operating income, net of certain items, is a non-GAAP measure used as one of the performance metrics in the Company s executive compensation program. Adjusted net income and adjusted diluted earnings per share are non-GAAP measures reported for fiscal 2017 and fiscal 2016 which exclude the impact of certain discrete tax

items recognized in the respective periods. Refer to the discussion of non-GAAP measures and a reconciliation to the related GAAP measures in Appendix A.

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**Fiscal 2017 Actions Related to Long-Term Strategy:** The table below discusses fiscal 2017 performance as it relates to the key areas of focus that comprise the Company s long-term strategy.

| Strategy Focus | Fiscal 2017 Summary of Accomplishments |
|---|---|
| **Flexible, convenient service** | We have been engaged in a complete re-alignment of our service organization to allow greater flexibility and customization of the service clients receive. This effort was completed at the end of fiscal 2017. This project included the creation of multi-product service centers and 24/7 dedicated service centers. As part of this initiative, there has been a reallocation of client service specialists and clients among different service organizations. This movement contributed to a slight decrease in client retention, which was approximately 81% for fiscal 2017. This was only slightly down from the near-record-high level in fiscal 2016. |
| **Solid sales execution** | In fiscal 2017, new sales were challenged by tough comparisons to a strong fiscal 2016. In fiscal 2016, we had a particularly strong sales year across many products, driven by an increased demand for outsourcing of HR and payroll solutions including our own Affordable Care Act product in the mid-market. Our fiscal 2017 mid-market payroll sales declined from the high level of activity experienced in fiscal 2016, impacting the number and size of clients sold. |
| **Industry-leading, integrated technology** | We continue to focus on our Paychex Flex® platform, our cloud-based human capital management ( HCM ) suite of services and mobility offerings. In fiscal 2017, we announced a shift to mobile-first design of our HCM suite. Mobile-first technology is based on a simplified approach that adapts to any device. We now have mobile-first technology throughout our HCM suite, which we believe differentiates us in the market. We believe this leading-edge technology, along with our personalized, flexible service, help our clients stay more connected to their employees and their businesses. |

| | |
|---|---|
| | We completed enhancements to our time and attendance service portfolio, with the addition of Paychex Flex™ Time Essentials, the TrueShift™ time clock, and a new advanced scheduling feature within our Paychex Flex™ Time module. In the area of HR analytics, Paychex Flex now presents function-focused analytics in context throughout the platform. The enhanced data analytics and reports assist HR leaders with making more informed business decisions. 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 the employee life cycle. One recent enhancement to our full-service Paychex Employer Shared Responsibility offering is an all-new online dashboard for ease of predictive employer workforce analysis and risk monitoring, as well as year-end reporting. |
| **Continued service penetration** | We continue to see client growth in our HR Services portfolio including retirement services, insurance services, time and attendance, and our comprehensive HR outsourcing services. The number of client worksite employees served within our comprehensive HR outsourcing solutions achieved a milestone of over one million worksite employees during fiscal 2017. We are constantly evolving to enhance our competitive position and focus on showcasing the value proposition of our full-suite of HCM solutions. |
| **Strategic acquisitions** | We continuously evaluate opportunities for acquisitions where there is a strategic fit. In fiscal 2016, we acquired Advance Partners, a leading provider of payroll funding and outsourcing services for the temporary staffing industry. This acquisition has exceeded expectations in its contribution to our results of operations since acquisition. |

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**Return to Stockholders:** The value we return to our stockholders is very important to us. During fiscal 2017, we returned over $800 million to our stockholders through dividends and repurchases of outstanding shares of our common stock.

**Dividend Payments**: Paychex continues to pay substantial dividends to our stockholders, in excess of 80% of our net income. The increase in the quarterly dividend to shareholders in the last three fiscal years was as follows:

| | Increase in Quarterly Dividend | Quarterly Dividend Amount | % Change |
|---|---|---|---|
| July 2016 | $ 0.04 | $0.46 | 10% |
| July 2015 | $ 0.04 | $0.42 | 11% |
| July 2014 | $ 0.03 | $0.38 | 9% |

**Share Repurchases:** In May 2014, the Board authorized the repurchase of up to $350 million of our common stock, with authorization that expired on May 31, 2017. In July 2016, the Board authorized the repurchase of an additional $350 million under a program that will expire May 31, 2019. Shares repurchased under these two plans over the past

three fiscal years were as follows:

| (In millions) | Shares Repurchased | Amount |
|---|---|---|
| Fiscal 2017 | 2.9 | $ 166.2 |
| Fiscal 2016 | 2.2 | $ 107.9 |
| Fiscal 2015 | 3.9 | $ 182.4 |

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The following chart shows how a $100 investment in the Company s common stock on May 31, 2012 would have grown to $235 as of May 31, 2017, 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 cumulative return of of 135%, or 19% on an annualized basis.

*For more information about our fiscal 2017 business results, see the section of our Fiscal 2017 Annual Report on Form 10-K ( Form 10-K ) titled Management s Discussion and Analysis of Financial Condition and Results of Operations.*

### How Pay is Tied to Company Performance

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

A significant portion of our NEO annual compensation is at risk based on performance. For fiscal 2017, variable pay represented 89% of total target compensation for our CEO, and 85% of total target compensation on average for our other NEOs.

Variable compensation is comprised of an annual cash incentive program and longer-term equity-based incentives. Annual grants of 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 annual grants of 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) for our annual performance-based compensation. Operating income, net of certain items is a non-GAAP measure. Refer to Appendix A for a discussion of this measure and a reconciliation to the related GAAP measure of operating income.

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

In July 2016, the committee implemented special Long-Term Incentive Plan ( LTIP ) awards in the form of non-qualified performance-based stock options and performance-based restricted stock. These awards were made to reward the executives for achieving long-term financial goals. The stock options and restricted stock vest after four years based on achievement against goals established for the fiscal year ending May 31, 2020 ( fiscal 2020 ). These are special awards geared toward this long-term achievement and are not part of the annually recurring awards of long-term, equity-based compensation. The performance metrics for these LTIP awards are service revenue, operating income, net of certain items, and diluted earnings per share.

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The pay mix at target for our CEO and the average for other NEOs for fiscal 2017 is displayed below.

The following illustrates the trend in Company performance, based on two of our key financial metrics, and the total reported compensation of our CEO (excluding the LTIP awards) over the last three years.

(1) Operating income, net of certain items, is a non-GAAP measure. Refer to the discussion regarding this non-GAAP measure and a reconciliation to the related GAAP measure of operating income in Appendix A.

(2) 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 fiscal 2017. For fiscal 2017, this chart excludes the impact of the special LTIP awards in the form of non-qualified performance stock options and performance-based restricted stock granted during that year.

Amounts realized in fiscal 2017 related to performance-based compensation programs for fiscal 2017 and prior years included the following:

Payouts under the annual incentive program for fiscal 2017 were earned at 73% of target for the CEO and an average of 70% of target for the SVPs. Achievement was measured against financial targets established at the beginning of fiscal 2017.

The two-year performance period for the annual grants of performance shares in July 2015 ended on May 31, 2017. The financial targets were set at the beginning of this two-year period. Achievement against these targets resulted in restricted shares earned at 96% of target.

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

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 75% of his target compensation for fiscal 2017. The main difference between reported compensation in the Summary

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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.

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, 2017.

| | | | | Intrinsic Value as of May 31, 2017 [3] | | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | Awards | Value Reported at Grant Date [1] | Value Realized Through May 31, 2017 [2] | Vested Shares | Unvested Shares [4] | Total Intrinsic Value Not Yet Realized | Increase/ (Decrease) in Realized and Unrealized Value Since Grant Date |
| **2015** | | | | | | | |
| | Stock Options | $ 1,105,472 | $ | $ 1,711,910 | $ 1,711,927 | $ 3,423,837 | 210% |
| | Restricted Stock | $ 753,602 | $ 655,170 | $ | $ 356,802 | $ 356,802 | 34% |
| | Performance Shares | $ 1,879,113 | $ | $ | $ 3,165,192 | $ 3,165,192 | 68% |
| **2016** | | | | | | | |
| | Stock Options | $ 1,069,161 | $ | $ 615,747 | $ 1,847,253 | $ 2,463,000 | 130% |
| | Restricted Stock | $ 742,640 | $ 320,879 | $ | $ 619,664 | $ 619,664 | 27% |
| | Performance Shares | $ 1,855,384 | $ | $ | $ 2,398,815 | $ 2,398,815 | 29% |
| **2017** | | | | | | | |
| | Stock Options | $ 1,191,049 | $ | $ | $ | $ | (100%) |
| | Restricted Stock | $ 874,697 | $ | $ | $ 851,550 | $ 851,550 | (3%) |
| | Performance Shares | $ 2,209,835 | $ | $ | $ 2,289,062 | $ 2,289,062 | 4% |
| | LTIP Performance Stock Options | $ 1,151,732 | $ | $ | $ | $ | (100%) |
| | | $ 1,290,661 | $ | $ | $ 1,425,962 | $ 1,425,962 | 10% |

LTIP
Performance
Restricted Stock

(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, 2017 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 the fiscal year ended May 31, 2015 ( fiscal 2015 ), fiscal 2016, and fiscal 2017. 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, 2017.

(3) Intrinsic value not yet realized for stock options is based on the closing stock price of $59.23 per share as of May 31, 2017 less the exercise price for the respective grants. 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. Intrinsic value for restricted stock and performance shares is based on the closing stock price of $59.23 per share as of May 31, 2017 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.

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## 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 2017, 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 LTIP performance-based stock option and restricted stock awards, are capped.

### 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-based awards.*** Performance share awards and LTIP performance-based restricted stock awards do not earn or pay dividends until the shares are earned.

***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 ( VPs ) 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.

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 2017 Summary Compensation Table, included in the Named Executive Officer Compensation section of this proxy statement.

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## CD&A

### 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 2017 are discussed below.

### Summary of Fiscal 2017 Elements of Compensation

(1) Operating income, net of certain items, is a non-GAAP measure. Refer to Appendix A for a discussion of this measure and a reconciliation to the related GAAP measure of operating income.

### Fiscal 2017 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.

In fiscal 2017, Mr. Mucci received a $50,000 increase in base salary to $950,000 based on his tenure as CEO and to bring him more in line with the median of our Peer Group. In addition, Mr. Rivera and Mr. Gioja were given targeted increases in base salary to bring them more in line with the median of our Peer Group.

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### 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 $500 million for fiscal 2017 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 2017. 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, and are 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 and responsibilities 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 2017, the G&C Committee individually evaluated each NEO and determined the specific percentage of the qualitative portion to award each NEO as presented on the following page. 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:

| | Quantitative Component | | | Qualitative |
|---|---|---|---|---|
| Position | Threshold | Target | Maximum | Component |
| CEO | 45.0% | 110.0% | 175.0% | 20.0% |
| SVP-Sales | 45.0% | 100.0% | 155.0% | 10.0% |
| SVP-Other | 37.5% | 85.0% | 132.5% | 10.0% |

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 2017, some of the quantitative component percentages of base pay for the CEO and the SVPs were

changed to better align with the Company s strategic goals.

The performance metrics for the fiscal 2017 annual incentive program for the NEOs were established as follows:

| | Fiscal 2017 Year-over-Year Growth Rates | | | % of Plan Dollars | | | |
|---|---|---|---|---|---|---|---|
| Bonus Objectives [1] | Threshold | Target | Maximum | Threshold | Target | Maximum | Achievement as a % of Target |
| Service revenue | 3% | 8% | 10% | 96.0% | 100.0% | 102.0% | 99.1% |
| Operating income, net of certain items [2] | 3% | 8% | 10% | 96.0% | 100.0% | 102.0% | 100.3% |
| Annualized new business revenue [3] | 3% | 10% | 13% | 94.0% | 100.0% | 103.0% | See [4] |

(1) The annual incentive program allows for certain adjustments to metrics as reported in our consolidated financial statements.

(2) Operating income, net of certain items, is a non-GAAP measure. Refer to Appendix A for a discussion of this measure and a reconciliation to the related GAAP measure of operating income.

(3) 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, HR, 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.

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(4) Achievement for annualized new business revenue was below threshold attainment for fiscal 2017. Therefore, there was no payout related to this performance metric under the annual incentive program.

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 % of Base Salary at Target | Mr. Mucci % of Base Salary Achieved [1] | Mr. Rivera % of Base Salary at Target | Mr. Rivera % of Base Salary Achieved [1] | Mr. Bottini % of Base Salary at Target | Mr. Bottini % of Base Salary Achieved [1] | Mr. Gibson and Mr. Gioja % of Base Salary at Target | Mr. Gibson and Mr. Gioja % of Base Salary Achieved [1] |
|---|---|---|---|---|---|---|---|---|
| Service revenue | 35.0% | 31.0% | 27.5% | 24.4% | 30.0% | 26.6% | 27.5% | 24.4% |
| Operating income, net of certain items [2] | 45.0% | 48.4% | 32.5% | 35.1% | 35.0% | 37.7% | 32.5% | 35.1% |
| Annualized new business revenue | 30.0% | % | 25.0% | % | 35.0% | % | 25.0% | % |
| Total quantitative annual incentive | 110.0% | 79.4% | 85.0% | 59.5% | 100.0% | 64.3% | 85.0% | 59.5% |
| Qualitative [3] | 20.0% | 16.0% | 10.0% | 10.0% | 10.0% | 7.0% | 10.0% | 8.0% |
| Total | 130.0% | 95.4% | 95.0% | 69.5% | 110.0% | 71.3% | 95.0% | 67.5% |

(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) Operating income, net of certain items, is a non-GAAP measure. Refer to Appendix A for a discussion of this measure and a reconciliation to the related GAAP measure of operating income.

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

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

| | Annualized Base Salary [1] | Minimum Potential Payout [2] | Maximum Potential Payout [2] | % of Base Salary Achieved | Actual Incentiv Compensation Earned [3] |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Martin Mucci | $ 950,000 | $ | $ 1,852,500 | 95.4% | $ 906,680 |
| Efrain Rivera | $ 500,000 | $ | $ 712,500 | 69.5% | $ 347,650 |
| Mark A. Bottini | $ 450,000 | $ | $ 742,500 | 71.3% | $ 320,625 |
| John B. Gibson | $ 425,000 | $ | $ 605,625 | 67.5% | $ 287,003 |
| Michael E. Gioja | $ 450,000 | $ | $ 641,250 | 67.5% | $ 303,885 |

(1) This represents the NEO s annualized base salary as of May 31, 2017. It may differ from base salary paid for fiscal 2017 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 represent 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 2017 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

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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 each 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 2016, 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:

This annual distribution provides for 80% of the total equity compensation 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 2016 annual grants, the G&C Committee determined the estimated total value to be approximately: $4,300,000 for the CEO; $1,000,000 for the CFO; $900,000 for the Sales SVP; and $850,000 for the other SVPs. These changes were made to better align internal pay equity and adjust them to market.

In July 2016, the G&C Committee approved special LTIP awards (not part of the annual equity grants) to focus the senior leadership team on the strategic plan related to the long-term growth of the Company. These awards are comprised of non-qualified performance stock options and performance-based restricted stock. The number of stock options and restricted shares to be earned will be based on achievement compared to pre-established targets for fiscal 2020. Targets are established for financial reporting measures of service revenue, operating income, net of certain items, and diluted earnings per share. The performance-based restricted stock does not earn dividends or have voting rights during the performance period.

The following equity-based compensation was granted in July 2016 for all NEOs:

| NEO | Performance Shares (at Target) | Stock Option Awards [1] | LTIP Performance Time-Based Restricted Stock Awards [2] | LTIP Performance Stock Option Awards [3] (at Target) | LTIP Performan Restricted Stock Awards [4] (at Target) |
|---|---|---|---|---|---|
| Martin Mucci | 38,647 | 208,590 | 14,377 | 196,541 | 24,075 |

| | | | | | |
|---|---|---|---|---|---|
| Efrain Rivera | 9,009 | 48,622 | 3,351 | 98,270 | 12,037 |
| Mark A. Bottini | 8,108 | 43,760 | 3,016 | 98,270 | 12,037 |
| John B. Gibson | 7,657 | 41,329 | 2,849 | 98,270 | 12,037 |
| Michael E. Gioja | 7,657 | 41,329 | 2,849 | 98,270 | 12,037 |

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

(2) Time-based restricted stock awards vest 1/3 per year over 3 years.

(3) LTIP performance stock options vest based on achievement against targets for fiscal 2020 and have a term of 10 years.

(4) LTIP performance-based restricted stock awards vest based on achievement against targets for fiscal 2020.

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### 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 approved by the Board are based on service revenue and operating income, net of certain items, as projected in the strategic planning process. The G&C Committee established performance targets intended to be appropriately challenging at all levels, including the threshold level, but attainable with increasing difficulty for each level beyond threshold. The threshold level was expected to be appropriately challenging but achievable under normal circumstances. The target level would be achieved if the Company performed as expected under our strategic plan for the two-year period. The maximum level would be achievable only with exceptional performance.

The two-year performance period for performance shares granted in July 2015 was completed at the end of fiscal 2017. The shares earned were based on achievement against pre-established targets for the performance period as follows:

| Performance Goal | Two-Year Performance Targets Established | | | Actual Achievement | |
|---|---|---|---|---|---|
| ($ In Millions) | Threshold | Target | Maximum | ($) | % of Target |
| Service revenue [1] | $ 5,694 | $ 5,993 | $ 6,173 | $ 5,943 | 99% |
| Operating income, net of certain items [2] | $ 2,158 | $ 2,272 | $ 2,340 | $ 2,268 | 100% |
| Percent of plan | 95% | 100% | 103% | | |
| Payout as a percent of target | 60% | 100% | 150% | | 96% |

(1) Service revenue as calculated under the performance award agreement excludes the impact of acquisitions occurring after the grant date. Refer to Appendix B 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 B for a description of this non-GAAP measure and a reconciliation of the amount for the performance period to the related GAAP measure of operating income.

Achievement for service revenue was slightly below target and operating income, net of certain items, was on target. As a result of their performance against these pre-established goals, in July 2017 our NEOs received restricted shares at a quantity of 96% of the target level. The restrictions on these shares will lapse after an additional one-year service period. These performance shares, granted in July 2015, were reflected at grant-date fair value in the NEO compensation for fiscal 2016 in the Summary Compensation Table, contained in the Named Executive Officer Compensation section of this proxy statement.

### LTIP Non-Qualified Performance Stock Options and Performance-Based Restricted Stock

In July 2016, the NEOs received LTIP awards in the form of non-qualified performance stock options and performance-based restricted stock. These stock options and restricted stock will vest dependent on achievement against pre-established targets for fiscal 2020. The LTIP was granted to incent the executives to work toward achievement of longer-term strategic goals. The performance metrics are service revenue, operating income, net of certain items, and diluted earnings per share and were established based on the Company s long-term strategic plan.

**Stock Ownership Guidelines**

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

| Position | Requirement |
|---|---|
| CEO | 5X base salary |
| SVPs | 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 currently compliant with the guidelines.

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### Prohibition on Hedging or Speculating In Company Stock

NEOs, along with all employees of the Company, must 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

The Company maintains 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. The Company s pledging policy is posted on its 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 made 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.

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### 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 the 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;
- whether aggregate fees paid by the Company to the compensation consultant, as a percentage of the total revenue of the compensation consultant, are material to 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.

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### 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 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 target 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. For fiscal 2017 the percentages of total target compensation that were performance-based were higher due to the inclusion of the special LTIP awards.

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 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 decisions, 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 certain financial categories as shown in the charts that follow. Peer Group comparisons were available for the positions of CEO and CFO, and both Mr. Mucci and Mr. Rivera 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 the Peer Group. These results were below the median total compensation of our

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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 HCM industry, financial transaction management companies, and business services and outsourcing companies.

Our current Peer Group consists of the following companies:

| Peer Group | |
|---|---|
| Alliance Data Systems Corporation | Intuit Inc. |
| Automatic Data Processing, Inc. | Moody s Corporation |
| Broadridge Financial Solutions, Inc. | Robert Half International Inc. |
| DST Systems, Inc. | TD AMERITRADE Holding Corporation |
| Equifax, Inc. | The Dun & Bradstreet Corporation |
| Fiserv, Inc. | The Western Union Company |
| Global Payments Inc. | Total System Services, Inc. |
| H&R Block, Inc. | |

(1) Based on the most recent completed fiscal year for each company in the Peer Group.

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 adjusted for fiscal 2017. The Brink s Company and Iron Mountain Incorporated were removed from the Peer Group for fiscal 2017 and were replaced with Alliance Data Systems Corporation and Equifax, Inc., as they are more closely aligned with the Paychex business.

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### CEO Compensation

It is the responsibility of the G&C Committee to evaluate Mr. Mucci s performance annually and determine his total compensation. Mr. Mucci receives compensation based on his leadership role and the overall performance of the Company. Mr. Mucci s compensation for fiscal 2017, 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 $950,000.
- Payout under the annual incentive program at 73% of target.
- Annual equity award grants comprised of 38,647 performance shares at target, 208,590 stock options with vesting pro rata over four years, and 14,377 shares of time-based restricted stock with vesting pro rata over three years.
- Mr. Mucci was granted special LTIP awards in the form of 196,541 non-qualified performance stock options and 24,075 performance-based restricted stock, at target achievement, with achievement determined based on comparisons to pre-established targets for fiscal 2020.

Mr. Mucci s compensation for fiscal 2017 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 approximately $4,300,000 to bring his compensation closer to the median of our Peer Group.

### 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 2017.

The Governance and Compensation Committee:

Joseph M. Tucci, *Chairman*

David J.S. Flaschen

Phillip Horsley

Grant M. Inman

Joseph M. Velli

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## NEO Compensation

## NAMED EXECUTIVE OFFICER COMPENSATION

The following information details compensation for our NEOs for fiscal 2017. In fiscal 2017, special LTIP awards were approved in the form of non-qualified performance stock options and performance-based restricted stock and are focused on longer-term strategic goals. The grant-date fair value of these awards, assuming target achievement, is included in the option awards and stock awards columns in the Summary Compensation Table below for fiscal 2017. These awards may vest based on achievement compared to pre-established targets for fiscal 2020. The LTIP is not part of the annual compensation decisions and significantly impacted reported compensation for fiscal 2017. The following table shows the impact of the LTIP on fiscal 2017 reported compensation:

| Name | Reported Compensation | Total LTIP | Reported Compensation Excluding LTIP | Year-over-Year Change % |
|---|---|---|---|---|
| Martin Mucci | $ 8,580,500 | $ 2,442,393 | $ 6,138,107 | 6% |
| Efrain Rivera | $ 3,071,673 | $ 1,221,166 | $ 1,850,507 | 5% |
| Mark A. Bottini | $ 2,900,361 | $ 1,221,166 | $ 1,679,195 | (7%) |
| John B. Gibson | $ 2,791,554 | $ 1,221,166 | $ 1,570,388 | (6%) |
| Michael E. Gioja | $ 2,828,546 | $ 1,221,166 | $ 1,607,380 | (4%) |

The grant-date fair value related to the LTIP grants and the annual stock option and stock award grants, which together make up the total of each type of awards shown in the Summary Compensation Table, are as follows:

| Name | LTIP Option Award | Annual Option Award | Total Option Awards | LTIP Restricted Stock Award | Annual Restricted Stock Award | Annual Performance Share Award | Total Stock Awards |
|---|---|---|---|---|---|---|---|
| Martin Mucci | $ 1,151,732 | $ 1,191,049 | $ 2,342,781 | $ 1,290,661 | $ 874,697 | $ 2,209,835 | $ 4,375,193 |
| Efrain Rivera | $ 575,862 | $ 277,632 | $ 853,494 | $ 645,304 | $ 203,875 | $ 515,135 | $ 1,364,314 |
| Mark A. Bottini | $ 575,862 | $ 249,870 | $ 825,732 | $ 645,304 | $ 183,493 | $ 463,615 | $ 1,292,412 |
| John Gibson | $ 575,862 | $ 235,989 | $ 811,851 | $ 645,304 | $ 173,333 | $ 437,827 | $ 1,256,464 |
| Michael E. Gioja | $ 575,862 | $ 235,989 | $ 811,851 | $ 645,304 | $ 173,333 | $ 437,827 | $ 1,256,464 |

### FISCAL 2017 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 | 2017 | $ 943,846 | $ | $ 4,375,193 | $ 2,342,781 | $ 906,680 | $ 12,000 | $ 8,580,500 |
| 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 |
| Efrain Rivera | 2017 | $ 496,923 | $ | $ 1,364,314 | $ 853,494 | $ 347,650 | $ 9,292 | $ 3,071,673 |
| 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 |
| Mark A. Bottini | 2017 | $ 450,000 | $ | $ 1,292,412 | $ 825,732 | $ 320,625 | $ 11,592 | $ 2,900,361 |
| 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 |
| John B. Gibson | 2017 | $ 425,000 | $ | $ 1,256,464 | $ 811,851 | $ 287,003 | $ 11,236 | $ 2,791,554 |
| 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 |
| Michael E. Gioja | 2017 | $ 446,923 | $ | $ 1,256,464 | $ 811,851 | $ 303,885 | $ 9,423 | $ 2,828,546 |
| Senior Vice President, | 2016 | $ 425,000 | $ | $ 588,854 | $ 242,344 | $ 406,810 | $ 10,446 | $ 1,673,454 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Information Technology and Product Development | 2015 | $ 421,923 | $ | $ 596,747 | $ 250,574 | $ 374,383 | $ 10,823 | $ 1,654,450 |

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**Salary (Column (c))**

The amounts reported in this column reflect 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 fiscal 2016 and fiscal 2015 for strong sales performance.

**Stock Awards (Column (e))**

The amounts in this column include the grant date fair value of time-based restricted stock awards, annual performance shares, and performance-based restricted stock (LTIP) 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-Based Restricted Stock Awards**

The fair value of the time-based 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 $60.84 per share, $47.32 per share, and $41.70 per share for the restricted stock awards granted annually in July of fiscal years 2017, 2016, and 2015, respectively. Refer to the Grants of Plan-Based Awards For Fiscal 2017 table included in this proxy statement for further information on restricted stock awards granted in fiscal 2017.

**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 2017 | | Fiscal 2016 | | Fiscal 2015 | |
|---|---|---|---|---|---|---|
| | Target | Maximum | Target | Maximum | Target | Maximum |
| Martin Mucci | $ 2,209,835 | $ 3,314,782 | $ 1,855,384 | $ 2,783,098 | $ 1,879,113 | $ 2,818,689 |
| Efrain Rivera | $ 515,135 | $ 772,731 | $ 420,537 | $ 630,849 | $ 425,944 | $ 638,916 |
| Mark A. Bottini | $ 463,615 | $ 695,423 | $ 420,537 | $ 630,849 | $ 425,944 | $ 638,916 |
| John B. Gibson | $ 437,827 | $ 656,769 | $ 420,537 | $ 630,849 | $ 425,944 | $ 638,916 |
| Michael E. Gioja | $ 437,827 | $ 656,769 | $ 420,537 | $ 630,849 | $ 425,944 | $ 638,916 |

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, as dividends are not earned during the two-year performance period. The resulting fair value was $57.18 per share, $43.98 per share, and $38.68 per share for performance shares awarded in fiscal years 2017, 2016, and 2015, respectively.

**LTIP Performance-Based Restricted Stock**

LTIP performance-based restricted stock awards granted July 6, 2016 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 2017 | |
|---|---|---|
| | Target | Maximum |
| Martin Mucci | $ 1,290,661 | $ 1,936,018 |
| Efrain Rivera | $ 645,304 | $ 967,982 |
| Mark A. Bottini | $ 645,304 | $ 967,682 |
| John B. Gibson | $ 645,304 | $ 967,682 |
| Michael E. Gioja | $ 645,304 | $ 967,682 |

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## NEO Compensation

These awards have a four-year performance period with achievement determined based on comparisons to pre-established targets for fiscal 2020. 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, as dividends are not earned during the performance period. The resulting fair value was $53.61 per share for LTIP performance-based restricted stock awarded in fiscal 2017.

### 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).

### Stock Option Awards

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 2016 | July 2015 | July 2014 |
|---|---|---|---|
| Risk-Free Interest Rate | 1.2% | 1.9% | 2.1% |
| Dividend Yield | 3.6% | 3.6% | 3.7% |
| Volatility Factor | 0.18 | 0.18 | 0.21 |
| Expected Option Term Life in Years | 6.0 | 6.0 | 6.0 |
| Fair Value | $ 5.71 | $ 5.17 | $ 5.66 |

### LTIP Performance Non-Qualified Stock Options

An LTIP grant was made in July 2016 in the form of non-qualified performance stock options in order to encourage the executives in achieving longer-term strategic goals. Achievement will be determined based on comparisons to pre-established targets for fiscal 2020. The fair value was determined using a Black-Scholes option pricing model for the July 2020 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 1.2%; dividend yield of 3.6%; volatility factor of 0.18; expected option term life of 6.5 years; and a fair value of $5.86 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 2017.

**All Other Compensation (Column (h))**

The amounts reported in this column include the Company matching contributions under the 401(k) Plan.

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## GRANTS OF PLAN-BASED AWARDS FOR FISCAL 2017

The table below presents estimated possible payouts under the Company s annual incentive program for fiscal 2017 based on achievement of performance objectives at various levels for the Company and individual NEOs. It also summarizes equity awards granted during fiscal 2017 to each of the NEOs. This information does not set forth the actual payout awarded to the NEOs for fiscal 2017.

| | | Estimated Future Payouts Under Non-Equity Incentive Plan Awards | | | Estimated Future Payouts Under Equity Incentive Plan Awards | | | All Other Stock Awards: Number of Shares of Stock or Units | All Other Option Awards: Number of Securities Underlying Options | Exercise or Base Price of Option Awards | G V of O A |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Grant Type | Grant Date | Threshold ($) | Target ($) | Maximum ($) | Threshold (#) | Target (#) | Maximum (#) | (#) | (#) | ($/Sh) | |
| (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) | (l) | |
| Annual Incentive Program | 7/6/2016 | $ 617,500 | $ 1,235,000 | $ 1,852,500 | | | | | | | |
| Restricted Stock | 7/6/2016 | | | | | | | 14,377 | | | $ |
| Performance Shares | 7/6/2016 | | | | 23,188 | 38,647 | 57,971 | | | | $ 2, |
| Stock Options | 7/6/2016 | | | | | | | | 208,590 | $ 60.84 | $ 1, |
| LTIP Performance Restricted Stock | 7/6/2016 | | | | 14,445 | 24,075 | 36,113 | | | | $ 1, |
| LTIP Performance Stock Options | 7/6/2016 | | | | 117,925 | 196,541 | 294,812 | | | $ 60.84 | $ 1, |
| Annual Incentive Program | 7/6/2016 | $ 237,500 | $ 475,000 | $ 712,500 | | | | | | | |
| Restricted Stock | 7/6/2016 | | | | | | | 3,351 | | | $ |
| Performance Shares | 7/6/2016 | | | | 5,405 | 9,009 | 13,514 | | | | $ |
| Stock Options | 7/6/2016 | | | | | | | | 48,622 | $ 60.84 | $ |
| LTIP Performance Restricted Stock | 7/6/2016 | | | | 7,222 | 12,037 | 18,056 | | | | $ |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| LTIP Performance Stock Options | 7/6/2016 | | | | | 58,962 | 98,270 | 147,405 | | | $ 60.84 | $ |
| Annual Incentive Program | 7/6/2016 | $ 247,500 | $ 495,000 | $ 742,500 | | | | | | | | |
| Restricted Stock | 7/6/2016 | | | | | | | | 3,016 | | | $ |
| Performance Shares | 7/6/2016 | | | | | 4,865 | 8,108 | 12,162 | | | | $ |
| Stock Options | 7/6/2016 | | | | | | | | | 43,760 | $ 60.84 | $ |
| LTIP Performance Restricted Stock | 7/6/2016 | | | | | 7,222 | 12,037 | 18,056 | | | | $ |
| LTIP Performance Stock Options | 7/6/2016 | | | | | 58,962 | 98,270 | 147,405 | | | $ 60.84 | $ |
| Annual Incentive Program | 7/6/2016 | $ 201,875 | $ 403,750 | $ 605,625 | | | | | | | | |
| Restricted Stock | 7/6/2016 | | | | | | | | 2,849 | | | $ |
| Performance Shares | 7/6/2016 | | | | | 4,594 | 7,657 | 11,486 | | | | $ |
| Stock Options | 7/6/2016 | | | | | | | | | 41,329 | $ 60.84 | $ |
| LTIP Performance Restricted Stock | 7/6/2016 | | | | | 7,222 | 12,037 | 18,056 | | | | $ |
| LTIP Performance Stock Options | 7/6/2016 | | | | | 58,962 | 98,270 | 147,405 | | | $ 60.84 | $ |
| Annual Incentive Program | 7/6/2016 | $ 213,750 | $ 427,500 | $ 641,250 | | | | | | | | |
| Restricted Stock | 7/6/2016 | | | | | | | | 2,849 | | | $ |
| Performance Shares | 7/6/2016 | | | | | 4,594 | 7,657 | 11,486 | | | | $ |
| Stock Options | 7/6/2016 | | | | | | | | | 41,329 | $ 60.84 | $ |
| LTIP Performance Restricted Stock | 7/6/2016 | | | | | 7,222 | 12,037 | 18,056 | | | | $ |
| LTIP Performance Stock Options | 7/6/2016 | | | | | 58,962 | 98,270 | 147,405 | | | $ 60.84 | $ |

**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 2017. The amounts actually earned by each NEO for fiscal 2017 are reported as Non-Equity Incentive Plan Compensation in the Fiscal 2017 Summary Compensation Table.

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## NEO Compensation

### Estimated Future Payouts Under Equity Incentive Plan Awards

### (Columns (g), (h), and (i))

The amounts in these columns consist of performance shares, LTIP performance stock options, and LTIP performance-based restricted stock granted during fiscal 2017 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 earned during the one-year service period on restricted shares earned 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.

The LTIP performance stock options and LTIP performance-based restricted stock will vest if targets for fiscal 2020 are met. For both these components, there is a threshold, target, and maximum. During the performance period, the NEOs will not have voting rights or earn dividends on the underlying shares. Upon death or disability, any unvested portion of the award will be forfeited and immediately cancelled.

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

The amounts in this column consist of time-based restricted stock granted in fiscal 2017 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 time-based stock options granted in fiscal 2017 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, stock options, LTIP performance stock options, and LTIP performance-based restricted stock granted in fiscal 2017 under the 2002 Plan as follows:

The fair value of the time-based restricted stock awards was $60.84 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 $57.18 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, as dividends are not earned during the performance period.

The fair value of the annual stock option grant was $5.71 per share, and was determined using a Black-Scholes option pricing model.

The fair value of the LTIP performance-based restricted stock was based on achievement at target and was $53.61 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, as dividends are not earned during the performance period.

The fair value of the LTIP performance stock options was based on achievement at target and was $5.86 per share. This was determined using a Black-Scholes option pricing model.

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## OPTION EXERCISES AND STOCK VESTED IN FISCAL 2017

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 2017. 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.

| | Option Awards | | | Stock Awards | | |
|---|---|---|---|---|---|---|
| Name | Date of Grant | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise ($) | Date of Grant | Number of Shares Acquired on Lapsing (#) | Value Realized on Lapse ($) |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| Martin Mucci | 7/10/2008 | 40,000 | $ 1,147,299 | 7/10/2013 | 70,951 | $ 4,351,425 |
| | 7/9/2009 | 25,965 | $ 847,605 | 7/9/2014 | 6,024 | $ 369,452 |
| | | | | 7/8/2015 | 5,232 | $ 320,879 |
| Efrain Rivera | | | $ | 7/10/2013 | 16,082 | $ 986,309 |
| | | | | 7/9/2014 | 1,365 | $ 83,715 |
| | | | | 7/8/2015 | 1,186 | $ 72,737 |
| Mark A. Bottini | 10/17/2011 | 35,000 | $ 1,118,196 | 7/10/2013 | 16,082 | $ 986,309 |
| | | | | 7/9/2014 | 1,365 | $ 83,715 |
| | | | | 7/8/2015 | 1,186 | $ 72,737 |
| John B. Gibson | | | $ | 7/10/2013 | 16,082 | $ 986,309 |
| | | | | 7/9/2014 | 1,365 | $ 83,715 |
| | | | | 7/8/2015 | 1,186 | $ 72,737 |
| Michael E. Gioja | 7/6/2011 | 6,190 | $ 178,829 | 7/10/2013 | 16,082 | $ 986,309 |
| | 7/11/2012 | 24,726 | $ 718,722 | 7/9/2014 | 1,365 | $ 83,715 |
| | | | | 7/8/2015 | 1,186 | $ 72,737 |

**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.

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## NEO Compensation

### OUTSTANDING EQUITY AWARDS AS OF MAY 31, 2017

The following table presents the equity awards made to NEOs which were outstanding as of May 31, 2017.

| | Option Awards | | | | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Option Grant Date | Number of Securities Underlying Unexercised Options (Exercisable) (#) | Number of Securities Underlying Unexercised Options (Unexercisable) (#) | Equity Incentive Plan Awards: Number of Securities Underlying Unearned Options (#) | Option Exercise Price ($) | Option Expiration Date | Total Potential Current Value of Outstanding Options ($) | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested ($) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) | Equity Incentive Plan Awards: In A Payo of U Sha or Rig Ha Ves |
| | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) | |
| cci | 7/6/2016 | | | 117,925 | $60.84 | 7/5/2026 | | | | | |
| | 7/6/2016 | | 208,590 | | $60.84 | 7/5/2026 | | | | | |
| | 7/8/2015 | 51,700 | 155,101 | | $47.32 | 7/8/2025 | | | | | |
| | 7/9/2014 | 97,656 | 97,657 | | $41.70 | 7/9/2024 | | | | | |
| | 7/10/2013 | 178,383 | 59,461 | | $38.48 | 7/9/2023 | | | | | |
| | 7/11/2012 | 274,869 | | | $31.65 | 7/10/2022 | | | | | |
| | 7/7/2011 | 315,000 | | | $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 | | | | | |
| | 7/17/2007 | 30,000 | | | $43.91 | 7/17/2017 | $ 34,302,889 | | | | |
| | | | | | | | | 124,802 | $ 7,392,022 | 37,633 | $ |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| era | 7/6/2016 | | | 58,962 | $60.84 | 7/5/2026 | | | | | |
| | 7/6/2016 | | 48,622 | | $60.84 | 7/5/2026 | | | | | |
| | 7/8/2015 | 11,718 | 35,157 | | $47.32 | 7/8/2025 | | | | | |
| | 7/9/2014 | 22,135 | 22,136 | | $41.70 | 7/9/2024 | | | | | |
| | 7/10/2013 | 40,433 | 13,478 | | $38.48 | 7/9/2023 | | | | | |
| | 7/11/2012 | 58,901 | | | $31.65 | 7/10/2022 | | | | | |
| | 7/7/2011 | 157,500 | | | $31.63 | 7/6/2021 | | | | | |
| | 7/6/2011 | 44,381 | | | $31.34 | 7/5/2021 | $ | 9,662,281 | | | |
| | | | | | | | | | 28,380 | $ 1,680,947 | 12,627 $ |
| ottini | 7/6/2016 | | | 58,962 | $60.84 | 7/5/2026 | | | | | |
| | 7/6/2016 | | 43,760 | | $60.84 | 7/5/2026 | | | | | |
| | 7/8/2015 | 11,718 | 35,157 | | $47.32 | 7/8/2025 | | | | | |
| | 7/9/2014 | 22,135 | 22,136 | | $41.70 | 7/9/2024 | | | | | |
| | 7/10/2013 | 40,433 | 13,478 | | $38.48 | 7/9/2023 | | | | | |
| | 7/11/2012 | 58,901 | | | $31.65 | 7/10/2022 | | | | | |
| | 10/17/2011 | 98,813 | | | $28.06 | 10/16/2021 | $ | 7,157,496 | | | |
| | | | | | | | | | 28,045 | $ 1,661,105 | 12,087 $ |
| bson | 7/6/2016 | | | 58,962 | $60.84 | 7/5/2026 | | | | | |
| | 7/6/2016 | | 41,329 | | $60.84 | 7/5/2026 | | | | | |
| | 7/8/2015 | 11,718 | 35,157 | | $47.32 | 7/8/2025 | | | | | |
| | 7/9/2014 | 22,135 | 22,136 | | $41.70 | 7/9/2024 | | | | | |
| | 7/10/2013 | 40,433 | 13,478 | | $38.48 | 7/9/2023 | | | | | |
| | 7/1/2013 | 94,500 | | | $36.66 | 6/30/2023 | $ | 4,585,870 | | | |
| | | | | | | | | | 27,878 | $ 1,651,214 | 11,816 $ |
| Gioja | 7/6/2016 | | | 58,962 | $60.84 | 7/5/2026 | | | | | |
| | 7/6/2016 | | 41,329 | | $60.84 | 7/5/2026 | | | | | |
| | 7/8/2015 | 11,718 | 35,157 | | $47.32 | 7/8/2025 | | | | | |
| | 7/9/2014 | 22,135 | 22,136 | | $41.70 | 7/9/2024 | | | | | |
| | 7/10/2013 | 40,433 | 13,478 | | $38.48 | 7/9/2023 | | | | | |
| | 7/7/2011 | 157,500 | | | $31.63 | 7/6/2021 | | | | | |
| | 7/6/2011 | 16,001 | | | $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 | $ | 7,747,116 | | | |
| | | | | | | | | | 27,878 | $ 1,651,214 | 11,816 $ |

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

The options displayed in this column 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 2017 | July 2018 | July 2019 | July 2020 |
| Martin Mucci | 212,136 | 152,677 | 103,848 | 52,148 |
| Efrain Rivera | 48,420 | 34,943 | 23,874 | 12,156 |
| Mark A. Bottini | 47,205 | 33,727 | 22,659 | 10,940 |
| John B. Gibson | 46,597 | 33,119 | 22,051 | 10,333 |
| Michael E. Gioja | 46,597 | 33,119 | 22,051 | 10,333 |

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

The options displayed in this column are LTIP performance stock options which will vest in amounts subject to pre-established performance goals for fiscal 2020. The awards are presented at threshold performance.

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

The total potential current value of options outstanding is based on the difference between $59.23, the closing price of the Company s common stock on May 31, 2017, 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 9, 2014, July 8, 2015, and July 6, 2016 that are subject to time-based vesting pro rata over three years. The performance shares granted on July 9, 2014 and July 8, 2015 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 2017 and July 2018, respectively.

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

| | Number of Securities Vesting (#) | | |
|---|---|---|---|
| | July 2017 | July 2018 | July 2019 |
| Martin Mucci | 69,487 | 50,523 | 4,792 |
| Efrain Rivera | 15,780 | 11,483 | 1,117 |
| Mark A. Bottini | 15,669 | 11,371 | 1,005 |
| John B. Gibson | 15,613 | 11,315 | 950 |
| Michael E. Gioja | 15,613 | 11,315 | 950 |

The market value displayed is based on the number of shares that have not vested multiplied by $59.23, the closing price of the Company s common stock as of May 31, 2017.

Total dividends and interest accrued on the restricted stock awards that have not vested as of May 31, 2017 were as follows: Mr. Mucci $192,542; Mr. Rivera $43,810; Mr. Bottini $43,192; and Mr. Gibson and Mr. Gioja $42,884 each. The grant-date fair value for restricted stock awards incorporates expected dividends.

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## NEO Compensation

### 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 the annual grant of performance shares and the special grant of LTIP performance-based restricted stock on July 6, 2016. The performance share awards are presented at threshold and 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. The LTIP performance-based restricted stock are presented at threshold performance as of May 31, 2017 and achievement will be determined based on comparisons to pre-established targets for fiscal 2020. The market value displayed is based on the number of shares at threshold multiplied by $59.23, the closing price of the Company s common stock as of May 31, 2017.

### POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

### FISCAL 2017

### 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 time-based 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 NEO during the performance period.

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### Potential Benefits Upon Separation from Company

The following table presents, as of May 31, 2017, the compensation and benefits to the NEOs upon separation from employment with the Company for the various reasons specified.

| | | Potential Payments Upon Separation | | | |
|---|---|---|---|---|---|
| | Annual Compensation per the Summary Compensation Table [1] | 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] | | $ | $ | $ | $ 1,900,000 |
| Annual Incentive [3] | | | 906,680 | 906,680 | 2,470,000 |
| Stock Option Awards [4] | | | 4,792,996 | | 4,792,996 |
| Restricted Stock Awards [5] | | | 7,392,022 | | 7,392,022 |
| Performance Share Awards [6] | | | 1,144,531 | | 1,144,531 |
| LTIP Performance Stock Options [7] | | | | | |
| LTIP Performance Restricted Stock [8] | | | | | 356,491 |
| Benefits [9] | | | | | 30,167 |
| **Total** | **$ 8,580,500** | **$** | **$ 14,236,229** | **$ 906,680** | **$ 18,086,207** |
| **Efrain Rivera** | | | | | |
| Base Salary [2] | | $ | $ | $ | $ 750,000 |

| | | | | | |
|---|---|---|---|---|---|
| Annual Incentive [3] | | | 347,650 | 347,650 | 712,500 |
| Stock Option Awards [4] | | | 1,086,432 | | 1,086,432 |
| Restricted Stock Awards [5] | | | 1,680,947 | | 1,680,947 |
| Performance Share Awards [6] | | | 266,802 | | 266,802 |
| LTIP Performance Stock Options [7] | | | | | |
| LTIP Performance Restricted Stock [8] | | | | | 178,238 |
| Benefits [9] | | | | | 29,531 |
| **Total** | **$ 3,071,673** | **$** | **$ 3,381,831** | **$ 347,650** | **$ 4,704,450** |
| **Mark A. Bottini** | | | | | |
| Base Salary [2] | | $ | $ | $ | $ 675,000 |
| Annual Incentive [3] | | | 320,625 | 320,625 | 742,500 |
| Stock Option Awards [4] | | | 1,086,432 | | 1,086,432 |
| Restricted Stock Awards [5] | | | 1,661,105 | | 1,661,105 |
| Performance Share Awards [6] | | | 240,118 | | 240,118 |
| LTIP Performance Stock Options [7] | | | | | |
| LTIP Performance Restricted Stock [8] | | | | | 178,238 |
| Benefits [9] | | | | | 37,553 |
| **Total** | **$ 2,900,361** | **$** | **$ 3,308,280** | **$ 320,625** | **$ 4,620,946** |
| **John B. Gibson** | | | | | |
| Base Salary [2] | | $ | $ | $ | $ 637,500 |
| Annual Incentive [3] | | | 287,003 | 287,003 | 605,625 |
| Stock Option Awards [4] | | | 1,086,432 | | 1,086,432 |
| Restricted Stock Awards [5] | | | 1,651,214 | | 1,651,214 |
| Performance Share Awards [6] | | | 226,762 | | 226,762 |
| LTIP Performance Stock Options [7] | | | | | |
| LTIP Performance Restricted Stock [8] | | | | | 178,238 |
| Benefits [9] | | | | | 30,102 |
| **Total** | **$ 2,791,554** | **$** | **$ 3,251,411** | **$ 287,003** | **$ 4,415,873** |
| **Michael E. Gioja** | | | | | |
| Base Salary [2] | | $ | $ | $ | $ 675,000 |
| Annual Incentive [3] | | | 303,885 | 303,885 | 641,250 |
| Stock Option Awards [4] | | | 1,086,432 | | 1,086,432 |
| Restricted Stock Awards [5] | | | 1,651,214 | | 1,651,214 |
| Performance Share Awards [6] | | | 226,762 | | 226,762 |
| LTIP Performance Stock Options [7] | | | | | |
| LTIP Performance Restricted Stock [8] | | | | | 178,238 |
| Benefits [9] | | | | | 22,785 |
| **Total** | **$ 2,828,546** | **$** | **$ 3,268,293** | **$ 303,885** | **$ 4,481,681** |
| **Total for all NEOs** | **$ 20,172,634** | **$** | **$ 27,446,044** | **$ 2,165,843** | **$ 36,309,157** |

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## NEO Compensation

(1) The amounts in this column are the total reported compensation for fiscal 2017 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, 2017. 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 $59.23 per share as of May 31, 2017 and the exercise price multiplied by the number of unvested options. 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.

(5) The value of unvested time-based restricted stock awards is based upon the closing price of the Company s common stock of $59.23 as of May 31, 2017.

(6) The value of the performance share awards is based upon the closing price of the Company s common stock of $59.23 as of May 31, 2017, assuming achievement at target, and prorated for one-half of the performance period completed as of May 31, 2017.

(7) The value of the LTIP performance stock options is determined by the difference in the closing price of the Company s common stock of $59.23 per share as of May 31, 2017 and the exercise price multiplied by the number of unearned options. This is prorated for one-quarter of portion of the performance period completed as of May 31, 2017. 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.

(8) The value of the LTIP performance restricted stock is based upon the closing price of the Company s common stock of $59.23 as of May 31, 2017, assuming achievement at target and prorated for one-quarter of the performance period completed as of May 31, 2017.

(9) 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 2017

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:

| | Fiscal 2017 | | | Aggregate |
|---|---|---|---|---|
| Name | Executive Contributions ($) | Aggregate Earnings, Net ($) | Aggregate Withdrawals/ Distributions ($) | Balance as of May 31, 2017 ($) |
| (a) | (b) | (c) | (d) | (e) |
| Martin Mucci | $ 214,264 | $ 143,575 | $ | $ 2,201,375 |
| Efrain Rivera | $ 472,766 | $ 32,783 | $ | $ 2,313,134 |
| Mark A. Bottini | $ 77,616 | $ 6,900 | $ | $ 84,516 |
| John B. Gibson | $ 61,022 | $ 28,520 | $ | $ 232,615 |

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 2017. These are included in amounts reported in the Fiscal 2017 Summary Compensation Table.

#### Aggregate Earnings, Net (Column (c))

The amounts in this column reflect both net realized gains and net unrealized gains. They are not included in the Fiscal 2017 Summary Compensation Table as the earnings on these investments are not considered to be above-market earnings.

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**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, 2017 (Column (e))**

The amounts in this column reflect the accumulated balances in the plan and include the Salary and Non-Equity Incentive Plan Compensation deferred amounts reported in current and previous years in the Fiscal 2017 Summary Compensation Table.

The investment funds available to NEOs, and the respective one-year rates of return as of May 31, 2017, are as follows:

| Name of Fund | Rate of Return | Name of Fund | Rate of Return |
|---|---|---|---|
| American Funds Europacific Growth Fund | 18.59% | Oppenheimer Developing Markets Fund Class A | 23.00% |
| BlackRock Global Allocation Fund, Inc. Class A | 11.27% | T. Rowe Price Equity Income Fund | 16.31% |
| Delaware Small Cap Core Fund | 21.37% | T. Rowe Price Growth Stock Fund | 25.62% |
| Fidelity Extended Market Index Fund | 18.64% | T. Rowe Price New Income Fund | 1.71% |
| Fidelity 500 Index Fund | 17.43% | Vanguard Prime Money Market Fund | 0.68% |
| MFS Mid Cap Value Fund R6 | 12.52% | Vanguard Total International Stock Index Fund | 18.29% |

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## Independent Accountants

## PROPOSAL 4: RATIFICATION OF SELECTION OF PRICEWATERHOUSECOOPERS LLP TO SERVE AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed PwC as the Company s independent accountants for fiscal 2018. The firm has served as the independent accountants for the Company since the fiscal year ended May 31, 2014. 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.

The Audit Committee is also responsible for the audit fee negotiations associated with the Company s retention of PwC. In order to assure continuing auditor independence, the Audit Committee periodically considers whether there should be a regular rotation of the independent accountants. Additionally, the Audit Committee and its Chairman are directly involved in the selection and mandated rotation of the lead engagement partner from PwC. The members of the Audit Committee believe that the continued retention of PwC to serve as the Company s independent accountants is in the best interest of the Company and its stockholders.

Representatives from PwC 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 accountants for fiscal 2018.

**Fees For Professional Services**

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

| | Year Ended May 31, | |
|---|---|---|
| | 2017 | 2016 |
| Audit fees | $ 1,287,000 | $ 1,292,000 |
| Audit-related fees | 40,000 | |
| Tax-related fees | 187,000 | 496,000 |
| **Total fees** | **$ 1,514,000** | **$ 1,788,000** |

**Audit fees**

This category includes fees for fiscal 2017 and fiscal 2016 that were for professional services rendered primarily 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.

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### Audit-related fees

This category includes fees for services in fiscal 2017 for consultation concerning financial accounting and reporting standards.

### Tax-related fees

This category includes fees for fiscal 2017 and fiscal 2016 services related to tax compliance and planning.

There were no other fees paid to PwC for fiscal 2017 or fiscal 2016.

### 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 2017 and fiscal 2016.

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## Independent Accountants

### 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 six meetings during fiscal 2017 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 2017, 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 2017. 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 fiscal 2017 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

Thomas F. Bonadio

Joseph G. Doody

Kara Wilson

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FAQ

## 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 8, 2017.

### When and Where Is the Annual Meeting?

The Annual Meeting will be held on Wednesday, October 11, 2017 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 4, you may vote FOR, AGAINST, or ABSTAIN. With respect to Proposal 3, you may vote ONE YEAR, TWO YEARS, THREE YEARS, or ABSTAI

| Proposal | Vote Required | Board Recommendation |
|---|---|---|
| Proposal 1: Election of ten 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: Advisory vote on the frequency of future advisory votes on named executive officer compensation | Majority of the shares present in person or by proxy and entitled to vote | **ONE YEAR** |
| Proposal 4: Ratification of the selection of PricewaterhouseCoopers LLP to serve as our Independent Registered Public Accounting Firm | Majority of the shares present in person or by proxy and entitled to vote | **FOR** |

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## FAQ

### Who is Entitled to Vote At the Annual Meeting?

Stockholders of record of our common stock as of the close of business on August 14, 2017 (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 14, 2017, 358,628,583 shares of common stock were issued and outstanding. A total of 179,314,292 shares will constitute a quorum.

### What is The Difference Between a Registered Stockholder and a Beneficial Stockholder?

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 stockholder***, 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 6, 2017. 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 stockholders 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

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Proxies submitted by Internet or telephone must be received by 11:59 p.m. Eastern Time on Tuesday, October 10, 2017. 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 6, 2017, 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, 2, and 3 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 4 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.

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## FAQ

### 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 2017 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 stockholders***, 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 8, 2017. 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.

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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 nominee 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 2018 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 12, 2018. 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 2018 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 26, 2018. We will not permit stockholder proposals that do not comply with the foregoing notice requirement to be brought before the 2018 Annual Meeting of Stockholders.

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Appendix A

## APPENDIX A

## PAYCHEX, INC. NON-GAAP FINANCIAL MEASURES

The following table reconciles the GAAP measures to the related non-GAAP measures that were utilized within this proxy statement.

| | For the Fiscal Years Ended May 31, | | | | |
|---|---|---|---|---|---|
| **$ in millions** | **2017** | **Change** | **2016** | **Change** | **2015** |
| **Operating income (GAAP)** | **$ 1,240** | **8%** | **$ 1,147** | **9%** | **$ 1,054** |
| Less: interest on funds held for clients | (51) | 10% | (46) | 9% | (42) |
| **Operating income, net of certain items (non-GAAP)** | **$ 1,189** | **8%** | **$ 1,101** | **9%** | **$ 1,012** |
| | | | | | |
| **Net income (GAAP)** | **$ 817** | **8%** | **$ 757** | **10%** | **$ 675** |
| Non-GAAP adjustments: | | | | | |
| Excess tax benefit related to employee stock-based compensation payments | (18) | | | | |
| Net tax benefit on income derived from prior tax years related to customer-facing software we produced | | | (21) | | |
| Total non-GAAP adjustments | (18) | | (21) | | |
| **Adjusted net income (non-GAAP)** | **$ 799** | **9%** | **$ 736** | **9%** | **$ 675** |
| | | | | | |
| **Diluted earnings per share (GAAP)** | **$ 2.25** | **8%** | **$ 2.09** | **13%** | **$ 1.85** |
| Non-GAAP adjustments: | | | | | |
| Excess tax benefit related to employee stock-based compensation payments | (0.05) | | | | |
| Net tax benefit on income derived from prior tax years related to customer-facing software we produced | | | (0.06) | | |
| Total non-GAAP adjustments | (0.05) | | (0.06) | | |
| **Adjusted diluted earnings per share (non-GAAP)** | **$ 2.20** | **8%** | **$ 2.03** | **10%** | **$ 1.85** |

In addition to reporting the U.S. GAAP measures of operating income, net income, and diluted earnings per share, we present operating income, net of certain items, adjusted net income, and adjusted diluted earnings per share, which are non-GAAP measures. We believe operating income, net of certain items, adjusted net income, and adjusted diluted earnings per share are appropriate additional measures, as they are indicators of our core business operations performance period over period. 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. Adjusted net income and adjusted diluted earnings per share both exclude the additional tax benefit or shortfall related to employee stock-based compensation payments recognized in income taxes. This arose from early-adoption in June 2016 of new accounting guidance, but will be a recurring item going forward. This item is subject to volatility and will vary based on employee decisions on exercising employee stock

options and fluctuations in our stock price, neither of which is in the control of management. Also excluded is a net tax benefit that was recorded in fiscal 2016 for income derived in prior tax years related to customer-facing software that we produced. This was an unusual event that is not expected to recur. We believe presenting net income and diluted earnings per share excluding these particular discrete tax items allows a better understanding of core business performance. Operating income, net of certain items, adjusted net income, and adjusted diluted earnings per share are not calculated through the application of GAAP and are not a required form of disclosure by the SEC. As such, they should not be considered as a substitute for the respective GAAP measures of operating income, net income, and diluted earnings per share, and therefore should not be used in isolation, but in conjunction with, the GAAP measures. 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.

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Appendix B

## APPENDIX B

## 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 2017 and fiscal 2016, 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 2015 performance shares.

| In millions | Year ended May 31, 2017 | 2016 | 2-Year Performance Period |
|---|---|---|---|
| **Service revenue** | **$ 3,101** | **$ 2,906** | **$ 6,007** |
| Adjustments: | | | |
| Service revenue associated with acquired businesses | (46) | (18) | (64) |
| **Service revenue, as calculated under the award** | **$ 3,055** | **$ 2,888** | **$ 5,943** |
| | | | |
| **Operating income (GAAP measure)** | **$ 1,240** | **$ 1,147** | **$ 2,387** |
| Less: Interest on funds held for clients | (51) | (46) | (97) |
| Operating income, net of certain items [(1)] | 1,189 | 1,101 | 2,290 |
| Adjustments allowed under the award: | | | |
| Operating income, net of certain items, associated with acquired businesses | (16) | (6) | (22) |
| **Operating income, net of certain items, as calculated under the award** | **$ 1,173** | **$ 1,095** | **$ 2,268** |

(1) Operating income, net of certain items, is a non-GAAP measure that is provided in addition to the U.S. GAAP measure of operating income for purposes of compensation program performance metrics. Refer to discussion of non-GAAP measures and reconciliation to the related GAAP measure in Appendix A.

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## HELPFUL RESOURCES

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

| | |
|---|---|
| Paychex website | Annual Meeting |
| www.paychex.com | http://investor.paychex.com/annual-meeting.aspx |
| Proxy Statement and Annual report | Proxy Voting |
| http://investor.paychex.com/annual-report.aspx | www.proxyvote.com |
| Investor Relations | Governance |
| http://investor.paychex.com | http://investor.paychex.com/governance |

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**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.

| | |
|---|---|
| **NAME** | **CONTROL #** |
| | **SHARES** |
| **THE COMPANY NAME INC. - COMMON** | **123,456,789,012.12345** |

| | |
|---|---|
| **THE COMPANY NAME INC. - CLASS A** | **123,456,789,012.12345** |
| **THE COMPANY NAME INC. - CLASS B** | **123,456,789,012.12345** |
| **THE COMPANY NAME INC. - CLASS C** | **123,456,789,012.12345** |
| **THE COMPANY NAME INC. - CLASS D** | **123,456,789,012.12345** |
| **THE COMPANY NAME INC. - CLASS E** | **123,456,789,012.12345** |
| **THE COMPANY NAME INC. - CLASS F** | **123,456,789,012.12345** |
| **THE COMPANY NAME INC. - 401 K** | **123,456,789,012.12345** |

PAGE 1 OF 2

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

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

e Board of Directors
ommends you vote
R the following:

Election of Directors

| **Nominees** | **For** | **Against** | **Abstain** |
|---|---|---|---|
| B. Thomas Golisano | | | |
| Thomas F. Bonadio | | | |

| The Board of Directors recommends you vote FOR the following proposal: | **For** | **Against** | **Absta** |
|---|---|---|---|
| 2. | | | |

ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION.

Joseph G. Doody

David J.S. Flaschen

Phillip Horsley

Grant M. Inman

Martin Mucci

Joseph M. Tucci

Joseph M. Velli

Kara Wilson

The Board of Directors recommends you vote 1 YEAR on the following proposal:

**1 year** **2 years** **3 years** **Abstain**

3. ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON NAMED EXECUTIVE OFFICER COMPENSATION.

**For** **Against** **Abstain**

The Board of Directors recommends you vote FOR the following proposal:

4. RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

**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 6, 2017, 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.

ase sign exactly as your name(s) appear(s) hereon.
en signing as attorney, executor, administrator, or
er fiduciary, please give full title as such. Joint
ners should each sign personally. All holders must
n. If a corporation or partnership, please sign in full
porate or partnership name by authorized officer.

**SHARES**

**CUSIP #**

**SEQUENCE #**

**Signature [PLEASE SIGN WITHIN BOX]** **Signature (Joint Owners)** **Date**

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September 8, 2017

Dear Paychex Stockholder:

The Board of Directors cordially invites you to attend our Annual Meeting of Stockholders (the Annual Meeting ) on Wednesday, October 11, 2017 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 11, 2017**

**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 11, 2017 ( 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, FOR 1 YEAR IN PROPOSAL 3, AND FOR PROPOSAL 4.

**Continued and to be signed on reverse side**