

PAYCHEX INC
Form DEF 14A
September 07, 2018
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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)

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- (1) Amount Previously Paid:

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(3) Filing Party:

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Our Purpose

We provide our clients the freedom to succeed.

Our Mission

We will be the leading provider of payroll, human resource, and employee benefit services by being an essential partner with America's businesses.

Our Values

We act with uncompromising integrity.

We provide outstanding service and build trusted relationships.

We drive innovation in products and services and continually improve processes.

We work in partnership and support each other.

We are personally accountable and deliver on commitments.

We treat each other with respect and dignity.

About Paychex

Paychex, Inc. (NASDAQ: PAYX) is a leading provider of integrated human capital management solutions for payroll, human resources, retirement, and insurance services. By combining its innovative software-as-a-service technology and mobility platform with dedicated, personal service, Paychex empowers small- and medium-sized business owners to focus on the growth and management of their business. Backed by more than 45 years of industry expertise, Paychex serves over 650,000 payroll clients as of May 31, 2018, across more than 100 locations in the U.S. and Europe, and pays one out of every 12 American private sector employees. Learn more about Paychex by visiting www.paychex.com, and stay connected on Twitter and LinkedIn.

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

ANNUAL MEETING INFORMATION

Thursday, October 11, 2018

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 2018 Annual Meeting of Stockholders (the Annual Meeting) will be:

1. To elect nine nominees to the Board of Directors for a one-year term;
2. To hold an advisory vote to approve named executive officer compensation;
3. To ratify the selection of PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm; and
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

Stockholders are cordially invited to attend the Annual Meeting. Stockholders of record at the close of business on August 13, 2018 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 www.paychex.com/investors under Events and Presentations and will remain available for replay for approximately one month following the Annual Meeting.



By order of the Board of Directors

Stephanie L. Schaeffer

Corporate Secretary

September 7, 2018

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Welcome to the Paychex, Inc. 2018 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 13, 2018. Please read the proxy statement and vote right away using any of the following methods.

Stockholders of Record:

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

Beneficial Stockholders:

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

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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, 2018 (fiscal 2018), please review the Company's Annual Report on Form 10-K for fiscal 2018.

Paychex, Inc. 2018 Annual Meeting of Stockholders

October 11, 2018

10:00 a.m., Eastern
TimeThe Strong,
One Manhattan Square
Rochester, New York 14607**Meeting Agenda and Voting Matters**

Item	Management Proposal	Board Vote		Page Reference (for more detail)
		Recommendation		
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	Ratification of selection of PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm	FOR		56

Fiscal 2018 Business Highlights

\$ in millions, except per share amounts	For the fiscal year ended May 31,			% Change
	2018	2017		
Total revenue	\$ 3,381	\$ 3,151		7%
Operating income	\$ 1,288	\$ 1,240		4%
Net income ⁽¹⁾	\$ 934	\$ 817		14%
Stock price (high/low) ⁽²⁾	\$ 70.25/\$54.24	\$ 63.03/\$52.78		11%/3%
Stock price as of fiscal year end	\$ 65.58	\$ 59.23		11%

- (1) Net income benefited from the Tax Cuts and Jobs Act of 2017 (the Tax Act), which significantly reduced the statutory corporate income tax rate from 35% to 21%.
- (2) Based on 52-week high and low sale prices as reported on the NASDAQ Global Select Market as of May 31, 2018 and 2017.

Paychex has focused on returning value to our stockholders and continued with stockholder-friendly actions during fiscal 2018. In July 2017, the Company increased its quarterly dividend by \$0.04 per share, or 9%, to \$0.50 per share. In April 2018, the Company increased its quarterly dividend by \$0.06 per share, or 12%, to \$0.56 per share. The Company continued to repurchase its common stock to offset dilution and in fiscal 2018 repurchased 2.5 million shares for \$143.1 million.

Paychex, Inc. 2018 Proxy Statement 1

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Proxy Summary

Pay-for-Performance

Key features of our 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 (CEO), 86% of his total target compensation is at risk. On average, for other named executive officers (NEOs), 79% 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 2018, results for certain performance metrics were less than target, resulting in payouts at 90% of target for our CEO and 85% of target on average for the other NEOs.

Annual grants of performance shares in July 2016 reached the end of the two-year performance period in May 2018. Achievement was 92% of 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 59 for important information about proxy materials, voting, annual meeting procedures, Company documents, communications, and the deadlines to submit stockholder proposals for the 2019 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 Annual Meeting and links to key documents can be found at www.paychex.com/investors.

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Election of Directors

PROXY STATEMENT

Paychex, Inc.

911 Panorama Trail South

Rochester, NY 14625

Paychex, Inc. (Paychex, the Company, we, our, or us), a Delaware corporation, is furnishing this proxy statement to stockholders in connection with the solicitation of proxies on behalf of the Board of Directors of the Company (the Board) for the 2018 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 7, 2018.

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.

2018 Nominees for Director

There are nine nominees for election as director, as listed on the following pages. Each of the nominees is a current member of the Board. The nine persons listed have been nominated for election to the Board by the Company's G&C Committee. The nominees, with the exception of Mr. Golisano and Mr. Mucci, are independent under both the NASDAQ Stock Market (NASDAQ) and Securities and Exchange Commission (SEC) director independence standards. If elected, each nominee will hold office until his or her successor is elected and has qualified or until his or her earlier resignation or removal. We believe that all of the nominees will be available to serve as a director. However, if any nominee should become unable to serve, the persons named in the enclosed proxy may exercise discretionary authority to vote for substitute nominees proposed by the Board. Current Board members Mr. Horsley and Mr. Inman do not intend to stand for re-election at the Annual Meeting.

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Election of Directors

The Board believes that the combination of the various qualifications, skills, and experience of the 2018 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 each director nominee brings 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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Election of Directors

B. Thomas Golisano

Founder and Chairman of the Board of Paychex, Inc.

<p>Age 76</p> <p>Director since 1979</p>	<p>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 on the board of Twinlab Consolidated Holdings, Inc. and serves as a director of numerous non-profit organizations and private companies. He is founder and member of the board of trustees of the B. Thomas Golisano Foundation.</p>
<p>Board Committees:</p> <p>Executive</p> <p>Current Public Company Directorships:</p> <p>Twinlab Consolidated Holdings, Inc.</p>	<p><i>SPECIFIC</i></p>