

PAYCHEX INC  
Form 11-K  
June 26, 2009

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549  
FORM 11-K**

(Mark One):

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the fiscal year ended December 31, 2008**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 0-11330**

**Paychex, Inc. 401(k)**

**Incentive Retirement Plan**

(Full title of the Plan)

**Paychex, Inc.**

**911 Panorama Trail South**

**Rochester, NY 14625**

(Name of issuer of the securities held pursuant to the  
Plan and the address of its principal executive office)

**Index to Financial Statements, Schedule and Exhibits**

	<b>Page No.</b>
<b>Financial Statements</b>	
<u>Report of Independent Registered Public Accounting Firm</u>	3
<u>Statement of Net Assets Available for Benefits December 31, 2008 and 2007</u>	4
<u>Statement of Changes in Net Assets Available for Benefits For the Years Ended December 31, 2008 and 2007</u>	5
<u>Notes to Financial Statements</u>	6
<b>Schedule</b>	
<u>Schedule H, Line 4i Schedule of Assets (Held at End of Year)</u>	15
<b>Exhibits</b>	
23 Consent of Independent Registered Public Accounting Firm <u>EX-23</u>	16

**SIGNATURES**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Committee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 26, 2009

PAYCHEX, INC. 401(k) INCENTIVE RETIREMENT PLAN  
(Name of Plan)

/s/ Toby Cherry

Toby Cherry  
401(k) Committee Member

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Plan Committee  
Paychex, Inc. 401(k)  
Incentive Retirement Plan  
Rochester, New York 14625

We have audited the accompanying statements of net assets available for benefits of the Paychex, Inc. 401(k) Incentive Retirement Plan (the Plan) as of December 31, 2008 and 2007, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2008 and 2007, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2008 is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP  
June 16, 2009  
Cleveland, Ohio

**Table of Contents**

**PAYCHEX, INC. 401(k) INCENTIVE RETIREMENT PLAN**  
**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**  
(In Thousands)

	<b>December 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Cash	\$ 2,811	\$ 4,966
Investments (at fair value):		
Paychex ESOP Stock Fund	108,340	144,115
American Funds EuroPacific Growth Fund	27,575	45,545
American Funds Growth Fund of America	29,687	45,801
ClearCourse Group Variable Annuity	4,242	4,761
Columbia Short Term Bond Fund	7,869	5,600
Dreyfus Mid Cap Index Fund	3,460	3,740
Dreyfus Small Cap Stock Fund	2,435	2,674
Fidelity Balanced Fund	23,209	34,949
Fidelity Freedom Funds 2005-2050	25,422	25,643
Fidelity Freedom Income Fund	1,706	218
Fidelity Retirement Money Market Portfolio		31,621
Fidelity U.S. Bond Index Fund	26,920	20,811
Fidelity U.S. Government Reserve Fund	39,830	508
Openheimer Main Street Small Cap Fund	14,869	24,137
Spartan International Index Fund	6,262	10,879
Spartan Total Market Index Fund	3,119	3,895
Spartan U.S. Equity Index Fund	18,897	30,589
Van Kampen Growth and Income Fund	16,705	23,519
Victory Special Value Fund	18,168	34,389
Participant loans	12,625	11,259
<b>Total investments</b>	<b>391,340</b>	<b>504,653</b>
Contributions receivable:		
Participant	911	837
Employer	388	353
<b>Total contributions receivable</b>	<b>1,299</b>	<b>1,190</b>
<b>Net assets available for benefits</b>	<b>\$ 395,450</b>	<b>\$ 510,809</b>

See accompanying notes to financial statements.

**Table of Contents**

**PAYCHEX, INC. 401(k) INCENTIVE RETIREMENT PLAN**  
**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**  
(In Thousands)

	<b>For the Year Ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
Contributions:		
Participant	\$ 43,795	\$ 39,715
Employer, net of forfeitures	17,115	12,707
Total contributions	60,910	52,422
Investment (loss)/income:		
Dividend and interest income	14,416	26,045
Net realized and unrealized depreciation in fair value of investments	(160,081)	(8,554)
Total investment (loss)/income	(145,665)	17,491
Benefits paid to participants	(30,604)	(39,038)
Change in net assets available for benefits	(115,359)	30,875
Net assets available for benefits at beginning of year	510,809	479,934
Net assets available for benefits at end of year	\$ 395,450	\$ 510,809

See accompanying notes to financial statements.

**Table of Contents**

**PAYCHEX, INC. 401(k) INCENTIVE RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 and 2007**

**NOTE A. PLAN DESCRIPTION**

The following brief description of the Paychex, Inc. (the Company or Paychex ) 401(k) Incentive Retirement Plan (the Plan ) is provided for general information purposes only. More complete information regarding the Plan s provisions may be found in the plan document and summary plan description.

**General:** The Plan is a defined contribution plan qualified under Sections 401(a) of the Internal Revenue Code (the Code ), which includes provisions under Section 401(k) allowing an eligible participant to direct the employer to contribute a portion of the participant s compensation to the Plan on a pre-tax and/or after-tax basis through payroll deductions. The Plan is subject to the provisions of the Employer Retirement Income Security Act of 1974 ( ERISA ). The Plan was established on July 1, 1984 and restated in April 2002 and January 2007 to include legislative and other applicable regulatory developments through January 1, 2007 as well as to make other changes and enhancements to the Plan.

The Plan operates in part as an employee stock ownership plan ( ESOP ), which is designed to comply with Section 4975(e) and the regulations under the Code. It is not currently intended that the Plan be a leveraged ESOP, although the Plan permits the ESOP to borrow money to purchase ESOP stock if the employer should so elect at some future date. As of December 31, 2008 and 2007, all shares of ESOP stock are allocated to participant accounts. Under this ESOP feature, participants are able to receive dividends on their shares of Paychex common stock in the form of cash or have them reinvested into the Fund.

**Plan Amendments:** The Plan was amended two times in 2008 to change certain technical definitions as used in the Plan and to clarify Plan distribution language. The Plan was amended four times in 2007 to change certain technical definitions as used in the Plan, provide for hardship withdrawals, and amend employer contribution vesting and employer contribution provisions. These amendments did not have a material effect on net assets available for benefits or changes in net assets available for benefits.

**Plan Administration:** The Plan is administered by the Paychex, Inc. 401(k) Incentive Retirement Plan Committee (the Plan Committee ), which is appointed by the Board of Directors of the Company. The Plan s trustee and record keeper is Fidelity Investments ( Fidelity ), who is also the trustee for the Paychex ESOP Stock Fund. Fidelity was responsible for the custody and management of the Plan s assets for the periods noted.

**Eligible Employees:** All new employees of the Company and its participating subsidiaries are eligible to participate in the salary deferral portion of the Plan immediately. Employees must be employed for one year in which a minimum of 1,000 hours have been worked to be eligible to receive a Company matching contribution.

**Table of Contents****NOTE A. PLAN DESCRIPTION (continued)**

**Contributions:** Employees may contribute, on a pre-tax basis and/or, for the Roth 401(k) only, on an after-tax basis, from 1% up to 50% of their compensation through payroll deductions in increments of 1%, subject to the limitations established by the Code. The maximum annual employee contribution to the Plan was \$15,500 in 2008 and 2007. The Plan Committee may establish for any Plan year a contribution percentage limit for highly compensated employees that is less than 50%. Employees may also contribute amounts representing rollover distributions from other qualified defined benefit or defined contribution plans or individual retirement accounts.

Effective September 1, 2007, the Company will make a matching contribution of up to 100% of the first 3% of eligible pay, and up to 50% of the next 2% of eligible pay that an employee contributes to the Plan. Prior to September 1, 2007, the Company made a matching contribution of up to 50% of the first 6% of eligible pay that an employee contributed to the Plan. Effective April 1, 2009, the Company has suspended the discretionary matching contribution for a twelve-month period. The Company may also elect to make an additional discretionary contribution to the Plan, but has not done so for the years ended December 31, 2008 and 2007, respectively.

Additionally, participants who are age 50 or older by the end of the calendar year are also allowed to make an additional catch-up contribution. This contribution was limited to \$5,000 in 2008 and 2007. In 2008, the Company made a matching contribution on the catch-up contribution if the employee's regular contribution was less than 5% of eligible pay, with the total match not to exceed 4%. The catch-up contribution was not subject to the Company matching contribution in 2007.

**Vesting:** Participants are fully vested as to their elective contributions and rollover contributions as well as any earnings or losses on them. Employees are fully vested immediately with respect to Company matching contributions made on or after September 1, 2007. For Company match contributions made prior to September 1, 2007, employees are fully vested upon completion of 1,000 hours of service per year for three calendar years. Employees are also fully vested upon disability, death, or the attainment of retirement age, which is age 65. Within the ESOP, dividends received are fully vested, regardless of years of service.

**Participant Accounts:** The trustee maintains an account for each participant, including participant directed allocations to each investment fund. Each participant's account is credited with the participant's contribution and allocations of any employer contribution and Plan earnings, less loans and withdrawals. The investments under the Plan are 100% participant-directed. Plan participants can fully diversify their portfolios by choosing from any or all investment fund choices in the Plan. Transfers in and out of investment funds, including the Paychex ESOP Stock Fund, are not restricted, with the exception of certain restricted trading periods for individuals designated as insiders as specified in the Paychex Insider Trading Policy. The Company matching contributions follow the same fund elections as the employee compensation deferrals.



**Table of Contents**

**NOTE A. PLAN DESCRIPTION (continued)**

**Investment Options:** As of December 31, 2008, participants may direct contributions in the following investment options:

Paychex ESOP Stock Fund

American Funds EuroPacific Growth Fund

American Funds Growth Fund of America

ClearCourse Group Variable Annuity

Columbia Short Term Bond Fund

Dreyfus Mid Cap Index Fund

Dreyfus Small Cap Stock Fund

Fidelity Balanced Fund

Fidelity Freedom Funds 2005-2050

Fidelity Freedom Income Fund

Fidelity U.S. Bond Index Fund

Fidelity U.S. Government Reserve Fund

Oppenheimer Main Street Small Cap Fund

Spartan International Index Fund

Spartan Total Market Index Fund

Spartan U.S. Equity Index Fund

Van Kampen Growth and Income Fund

Victory Special Value Fund

Participants may choose to change their investment option choices and how their contributions are allocated to each fund chosen at any time. The Plan Committee regularly reviews performance, fees, and other key indicators of all investment options and may enter or exit funds at its discretion through December 31, 2007. As part of the 2007 Plan restatement, after December 31, 2007, the Plan Committee may enter and exit funds at its discretion with the exception of the Paychex ESOP Stock Fund.

**Forfeited Accounts:** Forfeited non-vested assets are used to reduce future employer contributions. Total forfeitures used to reduce employer contributions were approximately \$174,000 and \$302,000 for 2008 and 2007, respectively. Forfeited balances not yet applied to reduce employer contributions as of December 31, 2008 and 2007, respectively, were not material to the financial statements.

**Participant Loans:** The Plan allows participants to borrow from a minimum of \$1,000 up to a maximum equal to the lesser of 50% of their vested account balance, or \$50,000 reduced by the highest outstanding loan balance in the

previous twelve months. Only one loan may be outstanding at any time. The rate of interest is the prime lending rate plus 1% at the time the loan is disbursed. Payroll deductions are required to repay the principal and interest on the loan within four and one-half years, except for loans used for the purchase of a principal residence, which are required to be repaid within nine and one-half years. Participant loans are subject to a one-time, non-refundable loan origination fee of \$75, which is deducted from the participant's account.

**Table of Contents**

**NOTE A. PLAN DESCRIPTION (continued)**

***Withdrawals:*** As of December 1, 2007, withdrawals for financial hardship are permitted provided they are for a significant and immediate financial need, meet the applicable hardship criteria as outlined in the Code, and the distribution is necessary to satisfy that need. Participants are required to fully use the Plan loan program, described above, before requesting a hardship withdrawal, must exhaust all other eligible withdrawals available in the Plan, and prior to October 2008, only one hardship withdrawal may be made in any twelve-month period. Effective October 2008, one hardship withdrawal may be taken each calendar year. For actively employed Plan participants, the Plan also allows for: partial withdrawals of vested balances at age 59 1/2; withdrawals of rollover contributions made prior to April 15, 2002; and withdrawals of dividends on the participant's shares of Paychex common stock in the form of cash, if desired.

***Payment of Benefits:*** Upon separation from employment, at retirement, or reaching the age of 59 1/2, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, or annual installments over a fixed period of time.

Participants electing to receive the vested interest in their ClearCourse Group Variable Annuity in a lump-sum amount at the age of 65 or older receive a lifetime retirement income guarantee, between the ages of 55 and 64 receive a reduced lifetime retirement income guarantee, and prior to age 55 forfeit the lifetime retirement income guarantee.

***Voting and Tender Offer Rights on ESOP Stock:*** Each participant in the Paychex ESOP Stock Fund is entitled to exercise voting rights on shares held in his or her account and also direct the ESOP trustee to tender his or her shares of ESOP Stock if an offer is made to purchase such shares. If the participant does not vote or indicate his or her preference with respect to a tender offer, the trustee will vote participant's shares and unallocated shares in the same proportion as the shares for which the trustee has received instructions.

***ESOP Stock at Time of Distribution:*** Under Federal income tax regulations, if ESOP stock should not be readily tradable on an established market at the time of a participant's distribution, the Company will issue a put option to the participant. The put option allows the participant to sell ESOP stock to the Company at a price that is representative of the fair market value of the stock. If the put option is exercised with respect to ESOP stock distributed as part of a total distribution, then the Company can pay for the purchase with interest over a period not to exceed five years. If the put option is exercised with respect to an installment distribution, then the Company must pay for the purchase within thirty days of the exercise of the option.

***Plan Termination:*** Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become fully vested in their account balances.

**Table of Contents**

**NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting:*** The financial statements of the Plan have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles ( GAAP ).

***Use of Estimates:*** The preparation of financial statements in conformity with GAAP requires the Plan Committee to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

***Investment Valuation and Income Recognition:*** Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note D for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade date basis. Net realized gains or losses upon the sale of investments are based on their average cost. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

***Contributions:*** Contributions from the Company are accrued for in accordance with the terms of the Plan. Participant contributions are recorded in the period the Company makes corresponding payroll deductions.

***Payment of Benefits:*** Benefits are recorded when paid.

***Reclassifications:*** Certain previously reported amounts have been reclassified to conform to the current year s presentation.

**Table of Contents****NOTE C. INVESTMENTS**

The change in fair value of the Plan's investments, including net realized and unrealized gains and losses, is as follows:

In thousands	For the Year Ended	
	December 31,	
	2008	2007
Paychex ESOP Stock Fund	\$ (39,367)	\$ (11,487)
American Funds EuroPacific Growth Fund	(21,140)	2,764
American Funds Growth Fund of America	(18,850)	1,055
ClearCourse Group Variable Annuity	(1,768)	131
Columbia Short Term Bond Fund	(404)	40
Dreyfus Mid Cap Index Fund	(1,964)	(241)
Dreyfus Small Cap Stock Fund	(1,109)	(296)
Fidelity Balanced Fund	(11,522)	49
Fidelity Freedom Funds 2005-2050	(13,597)	208
Fidelity Freedom Income Fund	(273)	(2)
Fidelity U.S. Bond Index Fund	(260)	52
Oppenheimer Main Street Small Cap Fund	(9,182)	(2,783)
Spartan International Index Fund	(4,703)	354
Spartan Total Market Index Fund	(1,691)	24
Spartan U.S. Equity Index Fund	(11,466)	1,001
Van Kampen Growth and Income Fund	(8,051)	(996)
Victory Special Value Fund	(14,734)	1,573
Net realized and unrealized depreciation in fair value of investments	\$ (160,081)	\$ (8,554)

**NOTE D. FAIR VALUE MEASUREMENTS**

Effective January 1, 2008, the Plan adopted Financial Accounting Standards Board Statement of Financial Accounting Standards ( SFAS ) No. 157, Fair Value Measurements. This statement clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures on fair value measurements; however, this standard does not require any new fair value measurements. The adoption of this standard did not have a material effect on the Plan's net assets available for benefits.

In determining the fair value of its assets and liabilities, the Plan uses various valuation approaches, predominantly the market and cost approaches. SFAS No. 157 establishes a hierarchy for information and valuations used in measuring fair value that is broken down into three levels based on reliability. Level 1 valuations are based on quoted prices in active markets for identical assets or liabilities that the Plan has the ability to access. Level 2 valuations are based on inputs, other than quoted prices included within Level 1, that are observable, either directly or indirectly. Level 3 valuations are based on information that is unobservable and significant to the overall fair value measurement.

**Table of Contents****NOTE D. FAIR VALUE MEASUREMENTS (continued)**

Mutual funds and Paychex common stock, which is the sole investment in the Paychex ESOP Stock Fund, are stated at their approximate fair value based on quoted market prices. The Annuity Fund, ClearCourse Group Variable Annuity, is valued by Genworth Life and Annuity Insurance Company using the quoted market price of the underlying investments (GE Investment Funds, Inc. Total Return Fund Class 2) less applicable ClearCourse asset charges. Participant loans are valued at the principal amount, which approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents information on the Plan's financial assets measured at fair value on a recurring basis under SFAS No. 157 as of December 31, 2008:

	<b>Carrying Value (Fair Value)</b>	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
In thousands				
Mutual Funds	\$ 266,133	\$ 266,133	\$	\$
Paychex Common Stock	\$ 108,340	\$ 108,340	\$	\$
Annuity Fund	\$ 4,242	\$	\$ 4,242	\$
Participant Loans	\$ 12,625	\$	\$	\$ 12,625

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 investment assets as of December 31, 2008:

	<b>Beginning Fair Value</b>	<b>Issuances, Settlements, Net</b>	<b>Ending Fair Value</b>
In thousands			
Participants Loans	\$ 11,259	\$ 1,366	\$ 12,625

During the year ended December 31, 2008, the Plan did not incur any gains or losses and there were no transfers in and out of the Level 3 investment assets.

**Table of Contents**

**NOTE E. RISKS AND UNCERTAINTIES**

The Plan provides for certain investments that are exposed to various risks, such as interest rate risk, credit risk, and market volatility risk. The Plan attempts to limit these risks by authorizing and offering participants a broad range of investment options that are invested in high quality securities or are offered and administered by reputable and known investment and insurance companies. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the statements of net assets available for benefits and of changes in net assets available for benefits.

The Plan's exposure to a concentration of risk is limited by the diversification of investments across twenty-seven participant-directed fund elections. Additionally, the investments within each participant-directed fund election are further diversified into varied financial instruments, with the exception of the Paychex ESOP Stock Fund, which invests in a single security.

**NOTE F. RELATED PARTY TRANSACTIONS**

The Plan's holdings of Paychex common stock qualify as a party-in-interest transaction. Also, all transactions between the Plan and Fidelity qualify as party-in-interest transactions. As of December 31, 2008, the Plan held 4,122,516 shares of Paychex common stock at a fair market value of \$108,339,720. As of December 31, 2007, the Plan held 3,978,867 shares of Paychex common stock at a fair market value of \$144,114,563.

As of December 31, 2008, the American Funds Growth Fund of America held 19,316,400 shares of Paychex common stock, which represents 5.4% of the Company's outstanding common stock as of that date.

Administrative expenses of the Plan are paid by the Company. The Company paid approximately \$133,000 and \$166,000 in 2008 and 2007, respectively, in administrative expenses.

**NOTE G. TAX STATUS**

The Plan has received a determination letter from the Internal Revenue Service ( IRS ) dated May 21, 2008, stating that the Plan is qualified under Section 401(a) and Section 4975(e) of the Code and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Committee believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax exempt.

**Table of Contents****NOTE H. RECONCILIATION OF FINANCIAL STATEMENTS TO IRS FORM 5500**

As allowed by ERISA, the Plan has chosen to prepare its IRS Form 5500 on the cash basis of accounting. The financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. The following is a reconciliation between the net assets available for benefits as reported in the financial statements to the net assets available for benefits as reported in IRS Form 5500.

In thousands	For the Year Ended	
	December 31,	
	2008	2007
Net assets available for benefits financial statements	\$ 395,450	\$ 510,809
Less: participant and employer contributions receivable	1,299	1,190
Net assets available for benefits IRS Form 5500	\$ 394,151	\$ 509,619



**Table of Contents**

**SCHEDULE OF ASSETS (HELD AT END OF YEAR)**  
**(SCHEDULE H, LINE 4i FORM 5500)**  
**PAYCHEX, INC. 401(k) INCENTIVE RETIREMENT PLAN**  
**EIN-16-1124166**  
**PLAN-0-40436**  
**DECEMBER 31, 2008**  
(Dollars, Units, and Shares in Thousands)

Identity of Party	Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or	Units/	Current Value
Involved	Maturity Value	Shares	Value
Fidelity*	Cash		\$ 2,811
Fidelity*	Paychex, Inc. Common Stock	4,123	108,340
Fidelity*	American Funds EuroPacific Growth Fund	1,001	27,575
Fidelity*	American Funds Growth Fund of America	1,461	29,687
Fidelity*	ClearCourse Group Variable Annuity	555	4,242
Fidelity*	Columbia Short Term Bond Fund	839	7,869
Fidelity*	Dreyfus Mid Cap Index Fund	207	3,460
Fidelity*	Dreyfus Small Cap Stock Fund	182	2,435
Fidelity*	Fidelity Balanced Fund	1,769	23,209
Fidelity*	Fidelity Freedom Funds 2005-2050	3,206	25,422
Fidelity*	Fidelity Freedom Income Fund	178	1,706
Fidelity*	Fidelity U.S. Bond Index Fund	2,495	26,920
Fidelity*	Fidelity U.S. Government Reserve Fund	39,830	39,830
Fidelity*	Oppenheimer Main Street Small Cap Fund	1,225	14,869
Fidelity*	Spartan International Index Fund	234	6,262
Fidelity*	Spartan Total Market Index Fund	124	3,119
Fidelity*	Spartan U.S. Equity Index Fund	592	18,897
Fidelity*	Van Kampen Growth and Income Fund	1,182	16,705
Fidelity*	Victory Special Value Fund	1,772	18,168
Participants*	Participant loans **		12,625
			\$ 394,151

\*

Represents  
party-in-interest

\*\* Loans to  
participants  
have various  
maturity dates  
(interest at 5.0%  
to 10.5%).