

AUTOMATIC DATA PROCESSING INC
Form DEF 14A
September 22, 2016

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]
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

Automatic Data Processing, 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.

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- 4) Proposed maximum aggregate value of transaction:
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AUTOMATIC DATA PROCESSING, INC.

One ADP Boulevard
Roseland, New Jersey 07068

Notice of 2016 Annual Meeting of Stockholders

The 2016 Annual Meeting of Stockholders of Automatic Data Processing, Inc. will take place at 10:00 a.m., Eastern Standard Time, Tuesday, November 8, 2016 at our corporate headquarters, One ADP Boulevard, Roseland, New Jersey.

A Notice of Internet Availability of Proxy Materials or the proxy statement for the 2016 Annual Meeting of Stockholders is first being mailed to stockholders on or about Thursday, September 22, 2016.

The purposes of the meeting are to:

1. Elect a board of directors;
2. Hold an advisory vote on executive compensation;
3. Ratify the appointment of Deloitte & Touche LLP, an independent registered public accounting firm, as our independent certified public accountants for fiscal year 2017; and
4. Transact any other business that may properly come before the meeting or any adjournment(s) thereof.

Only stockholders of record at the close of business on September 9, 2016 are entitled to receive notice of, to attend, and to vote at the meeting. **If you plan to attend the meeting in person, please note the admission procedures described under [How Can I Attend the Meeting?](#) on page 1 of the proxy statement.**

Your vote is important, and we urge you to vote whether or not you plan to attend the meeting. The Notice of Internet Availability of Proxy Materials instructs you on how to access your proxy card to vote via the Internet or by telephone. If you receive a paper copy of the proxy materials, you may also vote by completing, signing, dating and returning the accompanying printed proxy in the enclosed envelope, which requires no postage if mailed in the United States.

By order of the Board of Directors

MICHAEL A. BONARTI
Secretary

September 22, 2016
Roseland, New Jersey

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2016 Proxy Statement Summary

This summary highlights certain information contained elsewhere in the proxy statement. This summary does not contain all of the information that you should consider. You should read the entire proxy statement carefully before voting.

2016 Annual Meeting of Stockholders

Time and Date	10:00 a.m. Eastern Standard Time, Tuesday, November 8, 2016
Place	One ADP Boulevard, Roseland, New Jersey, 07068
Record Date	Stockholders of record at the close of business on September 9, 2016 are entitled to vote at the meeting in person or by proxy.
Admission	Admission to the meeting is restricted to stockholders and/or their designated representatives. All stockholders will be required to show valid picture identification in order to be admitted to the meeting.
Proxy Materials	Under rules adopted by the Securities and Exchange Commission, we are furnishing proxy materials to our stockholders primarily via the Internet instead of mailing printed copies of those materials to each stockholder. On September 22, 2016, we commenced the mailing to our stockholders (other than those who previously requested electronic or paper delivery) of a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy materials. If you would prefer to receive printed proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials.
How to Vote	The Notice of Internet Availability of Proxy Materials instructs you on how to access your proxy card to vote through the Internet or by telephone. If you receive a paper copy of the proxy materials, you may also vote your shares by completing, signing, dating and returning the accompanying printed proxy in the enclosed envelope, which requires no postage if mailed in the United States.

Voting Matters and Board Voting Recommendations

	Proposal	Board Recommendation	Page Reference For More Detail
Proposal 1:	Election of directors	For Each Nominee	5
Proposal 2:	Advisory resolution to approve compensation of named executive officers	For	21
Proposal 3:	Ratification of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2017	For	63

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Election of Directors (Proposal 1)**

The board of directors has nominated the following current directors for re-election as directors. Please refer to page 5 in this proxy statement for important information about the qualifications and experience of each of the following director nominees. The board of directors recommends a vote FOR each of the nominees for director.

Name	Age	Director Since	Principal Occupation	Independent	Committee Memberships			
					AC	CC	NGGC	CDTAC
Peter Bisson	59	2015	Retired Director and Global Leader of the High-Tech Practice at McKinsey & Company	X			X	X
Richard T. Clark	70	2011	Retired Chairman and Chief Executive Officer of Merck & Co., Inc.	X	F	C		
Eric C. Fast	67	2007	Retired Chief Executive Officer of Crane Co.	X	C, F	X		
Linda R. Gooden	63	2009	Retired Executive Vice President of Lockheed Martin Corporation Information Systems & Global Solutions	X	F			C
Michael P. Gregoire	50	2014	Chief Executive Officer and Director of CA Technologies	X			X	X
R. Glenn Hubbard	58	2004	Dean of Columbia University's Graduate School of Business	X		X	C	
John P. Jones (Board Chairman)	65	2005	Retired Chairman and Chief Executive Officer of Air Products and Chemicals, Inc.	X				
William J. Ready	36	2016	Senior Vice President, Global Head of Product and Engineering, PayPal	X			X	X
Carlos A. Rodriguez	52	2011	President and Chief Executive Officer of Automatic Data Processing, Inc.					
Sandra S. Wijnberg ⁽¹⁾	60	2016	Executive Advisor, and Former Partner and Chief Administrative Officer of Aquiline Holdings	X				

AC Audit Committee

CC Compensation Committee

NGGC Nominating / Corporate Governance Committee

CDTAC Corporate Development and Technology Advisory Committee

C Committee Chair

F Financial Expert

(1) Effective immediately after the 2016 Annual Meeting of Stockholders, Ms. Wijnberg will serve on the audit committee and the corporate development and technology advisory committee.

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2016 Proxy Statement Summary

Advisory Resolution to Approve Executive Compensation (Proposal 2)

Consistent with the stockholders' advisory vote at our 2011 Annual Meeting of Stockholders, we determined to hold the advisory say-on-pay vote to approve our named executive officer compensation on an annual basis. Therefore, we are asking our stockholders to approve, on an advisory basis, our named executive officer compensation for fiscal year 2016. Our stockholders will have the opportunity to approve, on an advisory basis, our named executive officer compensation for fiscal year 2017 at the 2017 Annual Meeting of Stockholders.

The board of directors recommends a vote FOR this resolution because it believes that the policies and practices described in the Compensation Discussion and Analysis section on page 22 of this proxy statement are effective in achieving the company's goals of linking pay to performance and levels of responsibility, encouraging our executive officers to remain focused on both short-term and long-term operational and financial goals of the company and linking executive performance to stockholder value.

At our 2015 Annual Meeting of Stockholders, our stockholders approved the compensation of our fiscal year 2015 named executive officers by a vote of approximately 97% in favor.

Ratification of the Appointment of Auditors (Proposal 3)

We are asking our stockholders to ratify the selection of Deloitte & Touche LLP as our independent certified public accountants for fiscal year 2017. A summary of fees paid to Deloitte & Touche LLP for services provided in fiscal years 2015 and 2016 is provided on page 62 of this proxy statement. The board of directors recommends a vote FOR this ratification.

Fiscal Year 2016 Business Highlights

Fiscal year 2016 was another exciting and dynamic year that showcased our agility as we continued to adapt to the evolving needs of our clients and the changing regulatory environment within our human capital management (HCM) industry. During fiscal year 2016, we continued to focus on our global HCM strategy and our results reflect the strength of our underlying business model, our success in the

market, and our focus on growth. This focus is evidenced by our investments in product innovation, service, and our sales force, as well as the disposition of the AdvancedMD® business. Our key business metrics in fiscal year 2016 continued to reflect a strong business model with a high percentage of recurring revenues, good margins, the ability to generate consistent, healthy cash flows, strong client retention, and low capital expenditure requirements.

The compensation committee's determination of incentive compensation under our cash bonus program for all of our executive officers, including our named executive officers, was based on fiscal year 2016 revenue growth of 6.9%, excluding the incremental impact of foreign currency fluctuations in excess of the fluctuations assumed in the target, compared to a target of 7.3%, fiscal year 2016 new business bookings growth of 11.5% compared to a target of 8.6%, and fiscal year 2016 operating income growth of 10.3%, excluding the impact of certain items consistent with our adjusted EBIT reported for fiscal year 2016 (i.e., taxes, certain interest expense and interest income, a gain on sale of the AdvancedMD business, a gain on sale of a building, and a severance charge related to a broad-based workforce optimization effort), compared to a target of 11.6%. The incentive compensation under our PSU program was based on fiscal year 2016 earnings per share growth of 12.8%, which excluded the impact of the gain on sale of the AdvancedMD business, the gain on sale of a building, and the severance charge related to a broad-based workforce optimization effort, compared to a target of 13.5%.

Compensation Principles

We believe that compensation should be designed to create a direct link between performance and stockholder value. Five principles that guide our decisions involving executive compensation are that compensation should be:

based on (i) the overall performance of the company, (ii) the performance of each executive's business unit and (iii) each executive's individual performance;

closely aligned with the short-term and long-term financial and strategic objectives that build sustainable long-term stockholder value;

competitive, in order to attract and retain executives critical to our long-term success;

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2016 Proxy Statement Summary

consistent with high standards of corporate governance and best practices; and

designed to dampen the incentive for executives to take excessive risks or to behave in ways that are inconsistent with the company's strategic planning processes and high ethical standards.

2016 Compensation Highlights

Consistent with our pay for performance philosophy, the compensation of our named executive officers is structured with a significant portion of their total compensation at risk

and paid based on the performance of the company and the applicable business unit. Our financial performance in fiscal year 2016 impacted the compensation for all of our executive officers, not just our named executive officers, in several ways, most notably through our annual cash bonus plan and performance-based restricted stock program. Please refer to the Compensation Discussion and Analysis section on page 22 of this proxy statement, and the tables and narratives that follow on page 39 of this proxy statement, for more detail concerning the compensation of our named executive officers.

The following are key highlights of our fiscal 2016 executive compensation program:

Base salary:

For fiscal year 2016, we increased the base salary of each named executive officer other than Messrs. Rodriguez and Flynn, which reflected a closing of the gap to the median market rate. As a result of the 16.7% salary increase received by Mr. Flynn during the second half of fiscal year 2015, he did not receive a further salary increase for fiscal year 2016.

Annual cash bonus:

Fiscal year 2016 target bonuses as a percentage of base salary increased from fiscal year 2015 levels for all our named executive officers except for Mr. Rodriguez. The target bonus percentage for each of Messrs. Siegmund, Benjamin and Flynn increased from 80% to 100%, and from 70% to 80% for Mr. O'Brien. The threshold corporate performance goal established by the compensation committee for fiscal year 2016 was EBIT margin of 15%. As this performance goal was achieved, the annual bonuses were based on the performance of the company, the business units and the individual named executive officers for the 2016 fiscal year against the named executive officers bonus objectives.

Equity awards:

As part of our equity compensation program in fiscal year 2016, consistent with fiscal year 2015, we granted our executive officers performance stock units (PSUs) and stock options, and certain executives received time-based restricted stock awards. As a result of our one-year earnings per share growth for fiscal year 2016, our executive officers achieved a payout percentage of 88% under our PSU program. This percentage payout applied to year 1 of the fiscal year 2016 award, which will be earned and issued at the end of the corresponding three-year performance period ending in fiscal year 2018, to year 2 of the fiscal year 2015 award, which will be earned and issued at the end of the corresponding three-year performance period ending in fiscal year 2017, and to year 3 of the fiscal year 2014 award, which was earned and issued at a payout percentage of 103% at the end of the corresponding three-year performance period ending in fiscal year 2016.

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A summary of fiscal year 2016 total direct compensation for our named executive officers is set forth in the following table:

Name	Base Salary	Annual Bonus	PSUs⁽¹⁾⁽²⁾	Stock Options⁽¹⁾	Restricted Stock⁽¹⁾	Total
Carlos A. Rodriguez <i>President and Chief Executive Officer</i>	\$1,000,000	\$1,600,000	\$3,318,779	\$2,599,995	\$0	\$8,518,774
Jan Siegmund <i>Chief Financial Officer</i>	\$650,000	\$688,400	\$978,043	\$419,988	\$599,996	\$3,336,427
Mark D. Benjamin <i>Division President</i>	\$525,000	\$478,800	\$636,820	\$299,995	\$599,996	\$2,540,611
Edward B. Flynn <i>EVP, Worldwide Sales & Marketing</i>	\$525,000	\$556,000	\$566,948	\$239,999	\$0	\$1,887,947
Dermot J. O'Brien <i>Chief Human Resources Officer</i>	\$520,000	\$440,500	\$581,336	\$232,498	\$499,957	\$2,274,291

Footnotes:

- Equity amounts are the grant date fair values for the fiscal year 2016 equity awards, which are the same amounts disclosed in the Summary Compensation Table for Fiscal Year 2016 on page 39 of this proxy statement.*
- The amounts for the performance stock unit awards represent the grant date fair value of one-third of each of the fiscal year 2014, fiscal year 2015 and fiscal year 2016 target awards. In accordance with FASB ASC Topic 718, only the grant date fair value for the performance year in which performance targets are set is reported.*

The mix of target total direct compensation (base salary, cash bonus, and long-term incentive awards) for fiscal year 2016 was designed to deliver the following approximate proportions of total compensation to Mr. Rodriguez, our

chief executive officer, and the other named executive officers (on average) if company and individual target levels of performance are achieved:

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Good Governance and Best Practices

We are committed to ensuring that our compensation programs reflect principles of good governance, including the following:

Pay for performance: We design our compensation programs to link pay to performance and levels of responsibility, to encourage our executive officers to remain focused on both the short-term and long-term operational and financial goals of the company, and to link executive performance to stockholder value.

Annual say-on-pay vote: We hold an advisory say-on-pay vote to approve our named executive officer compensation on an annual basis.

Clawback policy: We adopted a Clawback Policy in fiscal year 2015 that provides the compensation committee with discretion to recover both cash and equity incentive compensation from any current or former executives.

Stock ownership guidelines: We maintain stock ownership guidelines to encourage equity ownership by our executive officers.

Double trigger change in control payments: Our Change in Control Severance Plan for Corporate Officers includes double trigger provisions, such that payments of cash and vesting of equity awards occur only if termination of employment without cause or with good reason occurs during the two-year period after a change in control.

Limited perquisites: We provide limited perquisites that are viewed as consistent with our overall compensation philosophy.

No IRC Section 280G or 409A tax gross-ups: We do not provide tax gross-ups under our change in control provisions or deferred compensation programs.

No stock option repricing or discount stock options: We do not lower the exercise price of any outstanding stock options, and the exercise price of our stock options is not less than 100% of the fair market value of our common stock on the date of grant.

Anti-hedging and anti-pledging policy: We prohibit our directors and executive officers from engaging in any hedging or similar transactions involving ADP securities, holding ADP securities in a margin account, or pledging ADP securities as collateral for a loan.

Independence of our compensation committee and advisor: The compensation committee of our board of directors, which is comprised solely of independent directors, utilizes the services of Frederic W. Cook & Co., Inc. (FW Cook) as an independent compensation consultant. FW Cook reports to the compensation committee, does not perform any other services for the company other than in connection with an annual review of competitive director compensation for the nominating/corporate governance committee of our board of directors, and has no economic or other ties to the company or the management team that could compromise their independence and objectivity.

2016 Corporate Governance Highlights

We are committed to sound corporate governance practices that provide our stockholders with meaningful rights and foster strong independent leadership in our boardroom, such as:

Annual election of directors

Majority voting standard

One share, one vote

Proxy access by-law

No overboarding policy

No poison pill

Independent board chair

Stockholder ability to call special meetings

Stockholder right to act by written consent

Annual board assessment of corporate governance best practices

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