AUTOMATIC DATA PROCESSING INC
Form DEF 14A
September 26, 2008

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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))
[x] Definitive Proxy Statement
[_] Definitive Additional Materials
[_] Soliciting Material Under Rule 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):
[x] No fee required.
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LETTER TO SHAREHOLDERS

Fiscal 2008 was a successful year for ADP. ADP reported strong revenue and earnings growth. Revenues rose 12.5% to $8.78 billion, assisted 2% by favorable foreign exchange rates due to the weakened U.S. dollar. Diluted earnings per share from continuing operations grew a very strong 20% from a year ago to $2.20; excluding one-time gains reported in both the current and prior fiscal years, diluted earnings per share grew 21% to $2.18.

Fiscal 2008's strong performance is a direct result of ADP's execution against its five-point strategic growth program which consists of:

1. Strengthening the core business;
2. Growing our differentiated HR BPO offerings;
3. Focusing on international expansion;
4. Entering adjacent markets that leverage the core; and
5. Expanding pretax margins.

But What about the Economy?

We have all been witness to the U.S. economy bumping along slightly above the recession level. Headline inflation has risen, but hasn't had a material impact to ADP. Rising oil prices dampened the economy in general, which is not a good thing for ADP, or most other companies for that matter. The employment market is tough, although it is better in small business than it is in large business and it is better in the service industries where ADP's client base is strong. We've been able to mitigate the impact of declines in interest rates on our client funds portfolio with our extended investment strategy. The credit markets have been chaotic and a damper on the markets and the economy like nothing I've seen in my business career. When all of these things happen concurrently, the tendency is for business executives to constrain capital investments, and defer making business investment decisions.

So what does it all mean? As I noted at the beginning of this letter, ADP posted excellent results in fiscal 2008 despite all the things just mentioned. The weak U.S. dollar lifted revenue growth by 2% as we have a sizeable presence in Europe. Fiscal 2008 was also our third consecutive year of over 20% earnings per share growth. Concerns about the economic environment resulted in a slowdown in Employer Services sales growth after a strong first half of fiscal 2008. I am, however, very pleased with the overall execution by the salesforce as we finished with 8% growth in new business sales in Employer Services and PEO Services. Client retention for Employer Services reached record levels, exceeding 90%, up 0.2 percentage points in fiscal 2008. Despite the tough economy, we continue to invest in World Class Service and increasing the penetration rate of ADP's beyond payroll solutions with our client base, both important factors in improving long-term client retention levels. We saw some contraction in the number of pays per client versus last year, but slower and less severe than the last economic downturn. Pays at our small and large clients in fiscal 2008, which normally shrink first in an economic downturn, actually shrunk less than at our medium-size clients. Overall, we anticipated no growth in pays per client looking ahead to fiscal 2009.

Despite the consolidation of dealerships and declining new car sales in the U.S., Dealer Services had an excellent year with strong revenue growth, an increased win-loss rate against the competition resulting in increased market share, and considerably strong growth in new business sales in both our North American and International businesses.

All in, we anticipate another good year in fiscal 2009 amidst continued choppy economic water ahead.

Fiscal 2008 Key Strategies & Accomplishments

Client Funds Investment Strategy

ADP moved over $1.3 trillion of client funds, resulting in holding nearly $16 billion in average client funds per day. I am especially pleased with the performance of the investment portfolio and the investment choices made during the year. ADP remains one of six U.S. industrial companies rated triple-A by both Standard & Poor’s and Moody’s. This has been extremely important to ADP’s extended investment strategy where ADP borrows in the overnight commercial paper market on about 200 days a year to satisfy short-term client liabilities, which enables

us to extend the maturities of our investments. This strategy ladders the maturities of our investments, helping to minimize the impact of changes in market interest rates. During fiscal 2008, the Fed Funds rate declined 325 basis points, yet the net impact to ADP compared with a year ago was an increase of 10 basis points in the overall yield to 4.4%.

Employer Services

Growth in new business sales of our core solutions across all market segments, along with strong sales of our HR BPO offerings, contributed to Employer Services’ 9% revenue growth.

We launched the RUN Powered by ADP℠ platform, our web-based payroll service for small businesses and their accountants — early results and client receptivity have been terrific. And we’re really focused on the large opportunities for our Retirement Services and Workers’ Compensation Pay-by-Pay® solutions as extensions of our core offering for small businesses.

Our Administrative Services Offering, also called ADP Resource®, is our HR BPO offering for the small and mid-markets and is an excellent option for prospects that don’t fit the co-employment PEO model. Sales of ADP Resource below fifty pays continue to fuel our small business growth. Additionally, sales of ADP Resource have been quite strong in the 50 to 100 pay-size market, and we’ve got a terrific opportunity with prospects above the 100 pay-size with the launch of an offering based on our Pay eXpert® and HR/Benefits solutions.

Our new “core” offering, a bigger, comprehensive bundled solution of our payroll, HR/Benefits, and Time & Labor Management offerings has been driving growth in the mid-market, bringing in new payroll clients with three times the revenue opportunity of a traditional payroll client.

Comprehensive Outsourcing Services (COS) fueled growth at the high end of the market above 1,000 pays, as did GlobalView® for large multinational companies. COS achieved profitability as we generated $140 million in revenues in fiscal 2008 and significantly reduced the time it takes to get a new client up and running. More than 50 clients with over 550,000 employees in the U.S. are currently using our COS solution. In addition, GlobalView generated nearly $40 million in revenues in fiscal 2008, exiting the year with 65 clients, representing over 375,000 employees in 33 countries. Including clients already running on GlobalView, we have signed 78 clients representing nearly one million employees in 46 countries. We currently expect GlobalView to become profitable in fiscal 2010 and to approach $500 million in annual “live” and signed revenue by fiscal 2013.

Surrounding these great ADP solutions are significantly increased investments in service and implementation which are making for an even better client experience.

Employer Services’ pretax margin expanded 90 basis points for the year. This improvement is a result of continued operating leverage from the significant scale in our business, as well as our margin expansion initiatives. We now have over 300 telesales associates supporting our direct salesforce by selling beyond payroll solutions, such as workers compensation insurance to our small and mid-sized clients. With a substantially lower cost of sales compared to traditional “feet-on-the-street,” telesales sold over $80 million of the nearly $1.15 billion of total new business sales in fiscal 2008. We anticipate that will grow over the next few years to eventually contribute about one-third of total new business sales.

We also completed the consolidation of our data centers in the last quarter of fiscal 2008 and anticipate realizing the first full-year benefit from that initiative in fiscal 2009. We continue to leverage both off-shore and smart-shore locations. We are expanding our presence in India where we have nearly 3,000 associates, and our smart-shore locations in El Paso, Texas; Augusta, Georgia; and Jackson, Mississippi, where collectively we have over 1,500 associates. Through growth in the business and margin expansion initiatives, we are committed to driving pretax margin expansion of at least 50 basis points each year while we continue to invest in new products, salesforce expansion, and implementation and client services resources to drive our five-point strategic growth program.

PEO Services

The PEO had another great year, growing revenues 20% to cross the billion dollar revenue mark. Growth in the PEO was fueled by strong growth in California, and we expanded deeper into existing geographies as well as opened a number of new markets. Nearly all of our regions had double-digit growth, expanding the average number of paid

worksite employees 18% to 176,000, and ending the year with approximately 188,000 paid worksite employees. While the challenging economy is anticipated to result in slower new business sales growth in fiscal 2009, the PEO benefits from about half of its sales coming from up-selling our PEO solution to our existing payroll clients. We are able to create substantial lead flow by leveraging the Small Business Services salesforce in addition to the direct PEO sales organization.

Dealer Services

Dealer Services had a terrific fiscal 2008, growing revenues 8.5%. I am very pleased with the strong North American sales growth where sales of solutions beyond the core Dealer Management Systems (DMS), such as Voice Over IP Telephony and BZ Results, a web-based, on-line Digital Marketing and Advertising solution, offset slower sales in the core DMS. As a result of slower new car sales in the U.S., there was a small decline in growth rates relating to transaction-based activities, Computerized Vehicle Registration (CVR) and credit checks. This is anticipated to continue into fiscal 2009, however, these transaction-based revenues account for only about 10% of Dealer Services revenues. I am also quite pleased with sales of our Autoline product which drove Dealer Services strong international sales growth, and we have a healthy implementation backlog of new business. Dealer Services continues to gain market share with excellent client retention and win/loss rates that continued to improve from strong levels a year ago.

Dealer Services pretax margin expanded 75 basis points, benefiting as well from the off-shore and smart-shore initiatives mentioned earlier for Employer Services. Additionally, we expect the international business to continue to increase margin as it grows.

Shareholder-friendly Actions

ADP remains keenly focused on increasing shareholder value. ADP has returned excess cash to its shareholders through significant share repurchases and higher dividends.

Over the last three fiscal years ADP has returned nearly $5 billion in the form of share repurchases, buying back nearly 18% of the company s outstanding shares, or just over 100 million shares, since the beginning of fiscal 2006. Our board of directors recently authorized an additional 50 million shares for repurchase, bringing total remaining share repurchase authorizations to about 60 million shares. We exited fiscal 2008 with $1.7 billion in cash and marketable securities on our balance sheet and generated $1.8 billion in operating cash flow. We continue to remain optimistic about ADP s long-term opportunities for growth, and it is our intent, depending on market conditions, to continue to repurchase shares in fiscal 2009.

We have also increased the dividend over 80% since the beginning of fiscal 2006, raising both the dividend payout ratio and yield well above historical levels, to about 50% and over 2.5%, respectively.

Return on equity from continuing operations increased over four percentage points to a very healthy 22.7% in fiscal 2008, and we anticipate continued improvement in fiscal 2009.

Management and Board of Directors

We promoted Mark Benjamin, Mike Capone, Bob Karp, and Anish Rajparia to the position of corporate vice president in recognition of their contributions to ADP’s success.

Four new members were elected to ADP’s board of directors during fiscal 2008. Eric C. Fast, Charles H. Noski, Sharon T. Rowlands, and Gregory L. Summe joined the board with many years of collective business experience.

Outlook

In July, we provided ADP’s outlook for a solid fiscal 2009 with 7% to 8% revenue growth and 10% to 14% earnings per share growth compared to $2.18, excluding a one-time gain, in fiscal 2008. As we look ahead, we expect the economic headwinds from fiscal 2008 to continue. ADP, however, is fortunate to be able to look at the challenges of a tightening economy in a different way than most companies:

- We have 90% recurring revenues;

- Our clients stay with us, on average, over ten years;
- We have excellent margins;
- We have strong and consistent cash flows and low capital expenditure requirements;
- We are one of only a handful of triple-A credit-rated companies left in U.S. industry today; and
- The markets we serve are under-penetrated and growing.

Also, even during challenging times like these, we continue to invest in product, sales, and service. Growing the business for the future despite tough economic challenges is important for ADP’s long-term success. More importantly, as companies search for ways to become more efficient, in many cases they are looking for the solutions ADP provides. Clients win by using our solutions even in tight times. We’re more effective, compliant, and cost efficient. It’s a win-win to have solutions provided by ADP.

We are much better positioned to meet our long-term revenue, pretax margin, and earnings per share goals as ADP is not the same company it was during the last economic downturn in 2002 and 2003. The differences bear repeating here:

- We trimmed the slower-growing businesses in our portfolio, resulting in a keen focus on growing Employer Services, PEO Services and Dealer Services, all of which operate in large, under-penetrated markets.
- ADP’s solution set and global reach have never been stronger. We now have a full range of HR BPO solutions to serve any size employer. This compares with five or six years ago when our HR BPO offerings were nascent with the PEO being our sole HR BPO solution. And at that time, our PEO was much smaller, serving less than half the worksite employees and generating one-third of the revenues it does today. Additionally, five or six years ago, ADP did not have a product to meet the global needs of large multinational companies. In order to compete in that market, we developed GlobalView in 2002 with a

handful of clients in the Asia/Pac region processing in just a few countries. In 2004 we took GlobalView from a region-specific solution to a truly global solution, by developing the templates to enable web-based, hosted, global payroll processing in 46 countries. And our COS offering, launched in fiscal 2004, was not as robust a solution as it is today. ADPs COS solution includes managed payroll services, where ADP becomes the clients payroll department, as well as time and labor management and benefits administration. Employee call centers and web-based portals for communications enable ADP to provide World Class Service to its clients and their employees. ADPs domain expertise and product scale uniquely position us in the marketplace.

- We have entered adjacent markets via acquisition solutions such as HR/Benefits with Employease, applicant management with VirtualEdge, and job tax credit with Mintax, all in Employer Services, and BZ Results Digital Marketing and Advertising in Dealer Services, are helping drive growth today.

- And, lastly, we had only just begun to put our extended investment strategy into place in late 2000. Now fully implemented, the strategy has successfully mitigated the impact of the downward movement in the interest rate environment during this last year.

So despite the challenging economic environment, I remain highly optimistic regarding ADPs ability to deliver continued strong results in fiscal 2009 and for many years to come.

GARY C. BUTLER
President & Chief Executive Officer

September 26, 2008

This Letter to Shareholders and other written or oral statements made from time to time by ADP may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature and which may be identified by the use of words like expects, assumes, projects, anticipates, estimates, we believe, could be and other words of similar meanin forward-looking statements. These statements are based on managements expectations and assumptions and are subject to risks and uncertainties that may cause actual results to differ materially from those expressed. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include: ADPs success in obtaining, retaining and selling additional services to clients; the pricing of products and services; changes in laws regulating payroll taxes, professional employer organizations and employee benefits; overall market and economic conditions, including interest rate and foreign currency trends; competitive conditions; auto sales and related industry changes; employment and wage levels; changes in technology; availability of skilled technical associates and the impact of new acquisitions and divestitures. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. These risks and uncertainties, along with the risk factors discussed under Item 1A. - Risk Factors in our Annual Report on Form 10-K for the fiscal year ended June 30, 2008, should be considered in evaluating any forward-looking statements contained herein.

AUTOMATIC DATA PROCESSING, INC.

One ADP Boulevard • Roseland, New Jersey 07068

NOTICE OF 2008 ANNUAL MEETING OF STOCKHOLDERS

The 2008 Annual Meeting of Stockholders of Automatic Data Processing, Inc. will be held at 10:00 a.m., Tuesday, November 11, 2008 at our corporate headquarters, One ADP Boulevard, Roseland, New Jersey, for the following purposes:

1. to elect a board of directors;
2. to approve the 2008 Omnibus Award Plan;
3. to ratify the appointment of Deloitte & Touche LLP, an independent registered public accounting firm, to serve as our independent certified public accountants for the fiscal year 2009; and
4. to transact any other business that may properly come prior to the meeting or any adjournment(s) thereof.

Stockholders of record at the close of business on September 12, 2008 are entitled to vote at the meeting. Each stockholder is entitled to one vote for each share of common stock held at that time.

The presence in person and/or the representation by proxy of the holders of record of a majority of the issued and outstanding shares of stock entitled to vote at the meeting constitutes a quorum. If you do not expect to be present at the meeting, you may vote your shares of stock by phone, via the Internet or by executing and promptly returning the accompanying proxy in the enclosed envelope, which requires no postage if mailed in the United States.

Admission to the meeting is restricted to stockholders and/or their designated representatives. If your shares are registered in your name and you plan to attend the meeting, your admission ticket will be the top portion of the proxy card. If your shares are in the name of your broker or bank or you received your proxy materials electronically, you will need to bring evidence of your stock ownership, such as your most recent brokerage account statement. All stockholders will be required to show valid picture identification. **If you do not have valid picture identification and either an admission ticket or proof of your stock ownership, you will not be admitted to the meeting. For security purposes packages and bags will be inspected and you may be required to check these items. Please arrive early enough to allow yourself adequate time to clear security.**

By order of the Board of Directors

JAMES B. BENSON
Secretary

September 26, 2008
Roseland, New Jersey

INTERNET AVAILABILITY OF PROXY MATERIALS

Under rules recently 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 26, 2008, 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, including our proxy statement and our annual report on Form 10-K. The Notice of Internet Availability of Proxy Materials also instructs you on how to access your proxy card to vote through the Internet or by telephone.

This new process is designed to expedite stockholders receipt of proxy materials, lower the cost of the annual meeting, and help conserve natural resources. However, if you would prefer to receive printed proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials. If you have previously elected to receive our proxy materials electronically, you will continue to receive these materials via e-mail unless you elect otherwise.

PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS OF

AUTOMATIC DATA PROCESSING, INC.
One ADP Boulevard • Roseland, New Jersey 07068

TO BE HELD ON NOVEMBER 11, 2008

SOLICITATION AND REVOCATION OF PROXY

The board of directors of Automatic Data Processing, Inc. is soliciting proxies for the forthcoming Annual Meeting of Stockholders. Each stockholder has the power to revoke a proxy at any time prior to voting at the meeting by notifying in writing the company's secretary. The company will bear all expenses in connection with this solicitation. We made this Proxy Statement and the accompanying proxy available to stockholders on or about September 26, 2008.

The only outstanding class of securities entitled to vote at the meeting is our common stock, par value $.10 per share. At the close of business on September 12, 2008, the record date for determining stockholders entitled to notice of and to vote at the meeting, we had 509,610,473 issued and outstanding shares of common stock (excluding 129,092,196 treasury shares not entitled to vote). Each outstanding share of common stock is entitled to one vote with respect to each matter to be voted on at the meeting.

The representation in person or by proxy of a majority of the issued and outstanding shares of stock entitled to vote at the meeting constitutes a quorum. Under our Amended and Restated Certificate of Incorporation and By-Laws and under Delaware law, abstentions and "non-votes" are counted as present in determining whether the quorum requirement is satisfied. A non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

The affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote thereon is required to elect a director, provided that if the number of nominees exceeds the number of directors to be elected (a situation that the company does not anticipate), the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy. Votes may be cast in favor of all nominees, withheld from all nominees or withheld from specifically identified nominees. Votes that are withheld will have the effect of a negative vote, provided that if the number of nominees exceeds the number of directors to be elected, withheld votes will be excluded entirely and will have no effect on the vote.

The affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote thereon is required to (*i*) approve the 2008 Omnibus Award Plan and *(ii)* ratify the appointment of Deloitte & Touche LLP, an independent registered public accounting firm, as the company's independent certified public accountants. Votes may be cast in favor of or against either proposal, or a stockholder may abstain from voting on either proposal. Abstentions will have the effect of a negative vote. Brokers who do not receive voting instructions from their stockholders are entitled to vote on the election of directors and ratification of the appointment of Deloitte & Touche LLP, but not on the proposal to approve the 2008 Omnibus Award Plan. Under applicable Delaware law, a broker non-vote will have no effect on the outcome of any of the matters referred to in this proxy statement because the non-votes are not considered in determining the number of votes necessary for approval.

Our board of directors has adopted a policy whereby stockholders' proxies are received by our independent tabulators and the vote is certified by independent inspectors of election. Proxies and ballots identifying the vote of individual stockholders will be kept confidential from our management and directors, except as necessary to meet legal requirements in cases where stockholders request disclosure or in a contested election.

PROPOSAL 1

ELECTION OF DIRECTORS

Our Directors

Properly executed proxies will be voted as marked. Unmarked proxies will be voted in favor of electing the persons named below (each of whom is now a director) as directors to serve until the next Annual Meeting of Stockholders and until their successors are duly elected and qualified. If any nominee is no longer a candidate at the time of the meeting (a situation that we do not anticipate), proxies will be voted in favor of remaining nominees and may be voted for substitute nominees designated by the board of directors.

Name	Age	Served as a Director Continuously Since	Principal Occupation
Gregory D. Brenneman	46	2001	Chairman of CCMP Capital, a private equity firm, and Executive Chairman of Quiznos, a national quick-service restaurant chain(1)
Leslie A. Brun	56	2003	Chairman and Chief Executive Officer of Sarr Group, LLC, a private equity firm(2)
Gary C. Butler	61	1996	President and Chief Executive Officer of Automatic Data Processing, Inc.(3)
Leon G. Cooperman	65	1991	Chairman and Chief Executive Officer of Omega Advisors, Inc., an investment partnership(4)
Eric C. Fast	59	2007	President and Chief Executive Officer of Crane Co.(5)
R. Glenn Hubbard	50	2004	Dean of Columbia University's Graduate School of Business(6)
John P. Jones	57	2005	Retired Chairman and Chief Executive Officer of Air Products and Chemicals, Inc.(7)
Frederic V. Malek	71	1978	Chairman of Thayer Capital Partners, a merchant banking firm(8)
Charles H. Noski	56	2008	Retired Vice Chairman of the Board of AT&T Corporation(9)
Sharon T. Rowlands	50	2008	Former President and Chief Executive Officer of Thomson Financial(10)
Gregory L. Summe	51	2007	Executive Chairman of PerkinElmer, Inc.(11)
Henry Taub	81	1961	Honorary Chairman(12)

(1) Mr. Brenneman has been chairman of CCMP Capital and executive chairman of Quiznos since August 2008. He served as president and chief executive officer of Quiznos from January 2007 until August 2008. He has been chairman and chief executive officer of TurnWorks, Inc., a private equity firm, since April 2006, from October 2002 to July 2004 and also from May 2001 to June 2002. He was chief executive officer of Burger King Corporation from July 2004 to April 2006. Mr. Brenneman is also a director of The Home Depot, Inc.

(2) Mr. Brun is chairman and chief executive officer of Sarr Group, LLC. He is the founder and chairman emeritus of Hamilton Lane. From 1991 until 2005 he was the chairman of Hamilton Lane. He is a trustee of Episcopal Academy in Merion, PA and the University of Buffalo Foundation, Inc. Mr. Brun is also a director of Broadridge Financial Solutions, Inc., Fortune Management, Inc. and Merck & Co., Inc.

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(3) Mr. Butler became president and chief executive officer of the company on August 31, 2006. He was president and chief operating officer of the company from April 1998 to August 31, 2006. He is also a director of CIT Group Inc. and Liberty Mutual Holding Company, Inc.

(4) Mr. Cooperman has been chairman and chief executive officer of Omega Advisors, Inc. since 1991.

(5) Mr. Fast has been president and chief executive officer of Crane Co. since April 2001 and a director of Crane Co. since 1999.

(6) Mr. Hubbard was named the dean of Columbia University's Graduate School of Business in 2004 and has been the Russell L. Carson professor of finance and economics since 1994. Mr. Hubbard is a member of the Panel of Economic Advisers for the Congressional Budget Office. From February 2001 until March 2003 he was chairman of the U.S. Council of Economic Advisors. He is also a director of BlackRock Closed-End Funds, Capmark Financial Group, Inc., Duke Realty Corporation, Information Services Group, Inc., KKR Financial Holdings, LLC and MetLife, Inc.

(7) Mr. Jones was chairman of Air Products and Chemicals, Inc. between December 2000 and March 2008. Between December 2000 and October 2007 he served as chief executive officer of Air Products and Chemicals, Inc. He is also a director of Sunoco, Inc.

(8) Mr. Malek has been chairman of Thayer Capital Partners since 1992. He is also a director of CB Richard Ellis Services, Inc. and DuPont Fabros Technology, Inc.

(9) Mr. Noski was corporate vice president and chief financial officer (December 2003 to March 2005) and director (November 2002 to May 2005) of Northrop Grumman Corporation. He served as vice chairman (July 2002 to November 2002), vice chairman and chief financial officer (February 2002 to July 2002) and senior executive vice president and chief financial officer (December 1999 to February 2002) of AT&T Corp. He is a director of Microsoft Corporation, Morgan Stanley, and Air Products and Chemicals, Inc.

(10) Ms. Rowlands was president (from 2000) and chief executive officer and president (from 2004) of Thomson Financial until April 2008.

(11) Mr. Summe has been executive chairman of PerkinElmer, Inc. since February 2008. Between 1999 and February 2008 he served as chairman and chief executive officer of PerkinElmer, Inc. In 2008, Mr. Summe began serving as a senior advisor to Goldman Sachs Capital Partners. Mr. Summe is a director of State Street Corporation.

(12) Mr. Taub has been honorary chairman of our board of directors since 1986.

Stockholder Approval Required

At the 2008 Annual Meeting of Stockholders, directors shall be elected by the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote thereon, provided that if the number of nominees exceeds the number of directors to be elected (a situation we do not anticipate), the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE ELECTION OF THE NOMINEES TO THE BOARD OF DIRECTORS.

Corporate Governance

We have a policy that requires our directors to attend the Annual Meetings of Stockholders. All of the current members of the board of directors who were elected at last years meeting attended our 2007 Annual Meeting of Stockholders.

During fiscal year 2008, our board of directors held six meetings. Except for Mr. Summe, all directors attended at least 75%, in the aggregate, of the meetings of the board of directors and the committees of which they were members. Mr. Summe became a director and a member of the nominating/corporate governance committee on September 10, 2007. The board and committee meeting schedule for fiscal year 2008 had already been set, and he was unable to attend two meetings due to previously scheduled commitments.

The board of directors categorical standards of director independence are consistent with applicable listing standards and are available online at www.adp.com/about_governance.asp. Directors meeting these standards are considered to be independent. Ms. Rowlands and Messrs. Brenneman, Brun, Cooperman, Fast, Hubbard, Jones, Malek, Noski and Summe

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meet these standards and are, therefore, considered to be independent directors. Messrs. Butler and Taub do not meet these standards and are, therefore, not considered to be independent directors. Based on the foregoing categorical standards, all current members of the audit, compensation and nominating/corporate governance committees are independent. Mr. Brun, our independent non-executive chairman of the board, is not a member of any of the board committees.

The table below provides membership and meeting information for each of the committees of the board of directors.

Name	**Audit**	**Compensation**	**Nominating/Corporate Governance**
Gregory D. Brenneman	X (financial expert)	X (chairman)	
Leon G. Cooperman	X (chairman, financial expert)		
Eric C. Fast	X (financial expert)		
R. Glenn Hubbard	X (financial expert)	X	
John P. Jones		X	X (chairman)
Frederic V. Malek			X
Charles H. Noski(*)		X	
Sharon T. Rowlands(*)			X
Gregory L. Summe			X
Meetings held in fiscal 2008	5	7	3

* Became a committee member on August 15, 2008.

Executive sessions

Executive sessions of the non-management directors are held during each board of directors and committee meeting. Until November 2007, the presiding director at each executive session of board of directors meetings would change and rotate consecutively among the independent chairpersons of the audit, compensation and nominating/corporate governance committees. Since Leslie A. Brun became our independent non-executive chairman of the board on November 13, 2007, he has presided at each such executive session of the board of directors.

Director Nomination Process

When the board of directors decides to recruit a new member it seeks strong candidates who, ideally, meet all of its categorical standards of director independence, and who are, preferably, senior executives of large companies who have backgrounds directly related to our technologies, markets and/or clients. Additionally, candidates should possess the following personal characteristics: *(i)* business community respect for his or her integrity, ethics, principles, insights and analytical ability; and *(ii)* ability and initiative to frame insightful questions, speak out and challenge questionable assumptions and disagree without being disagreeable. The nominating/corporate governance committee will not consider candidates who lack the foregoing personal characteristics. The nominating/corporate governance committee will also consider director candidates recommended by the stockholders. Stockholders wishing to recommend nominees for a director position should submit their recommendations in writing to the nominating/corporate governance committee in care of the company's secretary at our principal executive offices. Candidates recommended by the stockholders will be considered using the same process and evaluation criteria as set forth above for proposed new members recruited by the board of directors.

Retirement Policy

The mandatory retirement age for directors is 72, except as noted below. The mandatory retirement age requirement does not apply to Mr. Taub, the company's founder. Each director will automatically retire from the board of directors at the company's Annual Meeting of Stockholders following the date he or she turns 72. Management directors who are no longer officers of the company are required to resign from the board of directors. However, the chief executive officer, with the board of director's approval, may continue to serve as a director following the date he or she ceases to be our chief executive officer until the next annual meeting of stockholders and, if re-elected at such meeting, may serve one additional year.

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Audit Committee

The audit committee acts under a written charter, which is available online at http://www.adp.com/about_governance_audit.asp. The members of the audit committee satisfy the independence requirements of applicable listing standards. The audit committee's principal functions are to:

- assist the board of directors in fulfilling its oversight responsibilities with respect to *(i)* our systems of internal controls regarding finance, accounting, legal compliance and ethical behavior, *(ii)* our auditing, accounting and financial reporting processes generally, *(iii)* our financial statements and other financial information which we provide to our stockholders, the public and others, *(iv)* our compliance with legal and regulatory requirements, and *(v)* the performance of our corporate audit department and our independent auditors;
- appoint, compensate, retain and oversee the work of any accounting firm preparing and issuing an audit report or performing other audit, review or attestation services for us (including resolution of disagreements between management and our independent auditors regarding financial reporting);
- review in advance and pre-approve all services, including fees and other terms of engagement, to be provided by our independent auditors, as permitted by applicable rules and regulations and the Auditor Independence Policy (which is discussed in further detail below under "Independent Registered Public Accounting Firm's Fees");
- review and approve disclosures required to be included in the Securities and Exchange Commission periodic reports filed under the Securities Exchange Act of 1934, as amended; and
- review the performance of our internal auditors and our independent auditors on at least an annual basis.

Nominating/Corporate Governance Committee

The nominating/corporate governance committee acts under a written charter, which is available online at http://www.adp.com/about_governance_corporate.asp. The members of the nominating/corporate governance committee satisfy the independence requirements of applicable listing standards. The principal functions of the nominating/corporate governance committee are to:

- develop policies on the size and composition of the board of directors;

- identify individuals qualified to become members of the board of directors and review candidates for board membership;
- recommend a slate of nominees to the board of directors annually;
- ensure that the audit, compensation and nominating/corporate governance committees of the board of directors have the benefit of qualified and experienced independent directors;
- review and reassess annually the adequacy of the board of directors corporate governance principles and recommend changes as appropriate;
- oversee the board of directors annual self-evaluation process;
- advise the board of directors on independence and other corporate governance matters; and
- review and discuss as appropriate with management disclosures relating to independence, governance and director nomination matters.

Compensation Committee

The compensation committee acts under a written charter, which is available online at http://www.adp.com/about_ governance_compensation.asp. The members of the compensation committee satisfy the independence requirements of applicable listing standards. In addition, each member of the compensation committee is a Non-Employee Director as defined in Rule 16b-3 under the Exchange Act and an outside director as defined in the regulations under Section 162(m) of the Internal Revenue Code of 1986, as amended. There were seven meetings of the compensation committee in fiscal year 2008, all of which involved executive sessions with no executives of the company present.

The compensation committee sets and administers our executive compensation program. See Compensation Discussion and Analysis below.

The compensation committee is authorized to engage the services of outside advisors, experts and others to assist the committee. For fiscal year 2008, the committee sought advice from Frederic W. Cook & Co., Inc., an independent compensation consulting firm specializing in executive and director compensation.

Communications with all interested parties

All interested parties who wish to communicate with the board of directors, the audit committee or the non-management directors, individually or as a group, may do so by sending a detailed letter to P.O. Box 34, Roseland, New Jersey 07068, leaving a message for a return call at 973-974-5770 or sending an email to adp_audit_committee@adp.com. We will relay any such communication to the non-management director to which such communication is addressed, if applicable, or to the most appropriate committee chairperson, the chairman of the board or the full board of directors, unless, in any case, they are outside the scope of matters considered by the board of directors or duplicative of other communications previously forwarded to the board of directors. Communications to the board of directors, the non-management directors or to any individual director that relate to the company s accounting, internal accounting controls or auditing matters are referred to the chairperson of the audit committee.

Transactions with Related Persons

We did not engage in any related-party transactions in fiscal year 2008.

In June 2008, we adopted a written Related-Person Transaction Policy pursuant to which any transaction between ADP and a related person in which such related person has a direct or indirect material interest, and where the amount involved exceeds $120,000, must be submitted to our audit committee for review, approval or ratification.

A related person means a director, executive officer or beneficial holder of more than 5% of the outstanding shares, or any immediate family member of the foregoing, as well as any entity at which any such person is employed, is a partner or principal (or holds a similar position), or is a beneficial owner of a 10% or greater direct or indirect equity interest. If any of our directors or executive officers is a related person, he or she must inform our general counsel at the earliest practicable time of any plan to engage in a potential related-person transaction.

This policy requires our audit committee to be provided with full information concerning the proposed transaction, including the benefits to ADP and the related person, any alternative means by which to obtain like benefits, and terms that would prevail in a similar transaction with an unaffiliated third party. In considering whether to approve any such transaction, the audit committee will consider all relevant factors, including the nature of the interest of the related person in the transaction and whether the transaction may involve a conflict of interest.

The policy does not apply to the following:

- transactions in which the related person s interest derives solely from his or her service as a director of another entity that is a party to the transaction;
- transactions in which the related person s interest derives solely from his or her ownership of less than 10% of the equity interest in another person (other than a general partnership interest) who is a party to the transaction;
- transactions in which the related person s interest derives solely from his or her ownership of our common stock and all holders of common stock received the same benefit on a pro rata basis;
- compensation arrangements of any of our executive officers, other than an individual who is an immediate family member of a related person, that have been approved by the compensation committee of the board of directors;
- compensation arrangements of directors that have been approved by the board of directors; and
- transactions involving services as a bank depositary of funds, transfer agent, registrar, trustee under a trust indenture, or similar services.

Availability of Corporate Governance Documents

Our Corporate Governance Principles and Related-Person Transaction Policy may be viewed online on the company s website at www.adp.com under Governance in the About ADP section. Our Code of Business Conduct and Ethics and Code of Ethics for Principal Executive Officer and Senior Financial Officers may be found at www.adp.com under Ethics in the About ADP section. In addition, these documents are available in print to any stockholder who requests them by writing to Investor Relations at the company s headquarters.

Compensation Committee Interlocks and Insider Participation

Messrs. Brenneman, Hubbard, Jones and Noski are the four independent directors who sit on the compensation committee. No compensation committee member has ever been an officer of the company. During fiscal year 2008 and as of the date of this proxy statement, no compensation committee member has been an employee of the company or eligible to participate in our employee compensation programs or plans, other than the 2000 Stock Option Plan under which the non-employee directors receive option grants. None of the executive officers of the company have served on the compensation committee or on the board of directors of any entity that employed any of the compensation committee members or directors of the company.

Compensation of Non-Employee Directors

Pursuant to our 2003 Director Stock Plan, all non-employee directors who served the entire year, other than Mr. Brun, the chairman of our board of directors, were paid an annual retainer of $105,000. $97,000 of the annual retainer was paid in the form of deferred stock units of our common stock, and $8,000 was paid in cash. Mr. Brun received an annual retainer of $200,000, of which $173,000 was paid in the form of deferred stock units of our common stock, and $27,000 was paid in cash. Ms. Rowlands and Mr. Noski, who were initially elected to the board of directors on April 30, 2008, were paid a retainer of $65,000 entirely in the form of deferred stock units. In addition, all non-employee directors were paid $2,000 in cash for each board of directors meeting attended and $1,500 in cash for each committee meeting attended. Further, the chairperson of the audit committee was paid an additional annual retainer of $10,000 in cash and the chairperson of each of the compensation committee and the nominating/corporate governance committee was paid an additional annual retainer of $5,000 in cash.

During fiscal year 2008, the non-employee directors were entitled to participate in the 2000 Stock Option Plan. Upon initial election to the board of directors, a non-employee director receives a grant of options to purchase 5,000 shares of common stock if such director will attend a regularly scheduled board of directors meeting prior to the next Annual Meeting of Stockholders. Thereafter, a non-employee director receives an annual grant of options to purchase 5,000 shares of common stock. All options granted under this plan have a term of ten years and were granted at the fair market value of the common stock as determined by the closing price of our common stock on the New York Stock Exchange Composite Tape on the date of the grant. In November 2007, each non-employee director other than Ms. Rowlands and Mr. Noski was granted options to purchase 5,000 shares of common stock at an exercise price of $47.16 per share. Upon their initial election to the board of directors on April 30, 2008, each of Ms. Rowlands and Mr. Noski were granted options to purchase 5,000 shares of common stock at an exercise price of $44.20 per share.

Twenty percent of all options granted prior to April 30, 2008 become exercisable on the first anniversary of the option's grant date, and twenty percent become exercisable on each successive anniversary date thereafter until all such options become exercisable. Commencing with the April 30, 2008 grants, the options will be exercisable in four equal installments, with the first twenty-five percent becoming exercisable on the first anniversary of the option's grant date, and the remaining three installments becoming exercisable on each successive anniversary date thereafter. The options vest only while a director is serving in such capacity, unless certain specified events occur, such as death or permanent disability, in which case the options immediately vest and become fully exercisable. In addition, non-employee directors who have been non-employee directors for at least ten years will have all of their options vested upon retirement from the board of directors and will have 36 months to exercise their options. Non-employee directors who served as non-employee directors for less than ten years when they retire or otherwise leave the board will not qualify for accelerated vesting, but will have 60 days to exercise their then vested options. Notwithstanding the foregoing, all options will expire no more than ten years from their date of grant.

Non-employee directors elected after August 13, 1997 are not eligible to receive a pension from the company. A non-employee director attaining the age of 70 (who was a director on August 13, 1997) who retires after 20 years of service will receive an annual pension of $25,000 for the remainder of his or her life. If such non-employee director retires after having attained the age of 65 with 15 years of service, he or she will receive an annual pension of $12,500 for the remainder of his or her life.

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The following table shows compensation for our non-employee directors for fiscal year 2008.

DIRECTOR COMPENSATION TABLE FOR FISCAL YEAR 2008

Name	Fees Earned or Paid in Cash(12) ($)	Stock Awards(13) ($)	Option Awards(14) ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings(15) ($)	All Other Compensation(16) ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
	$ 43,000	$97,000	$72,390	$0	$ 27,306	$239,696

Gregory D. Brenneman(1)						
Leslie A. Brun(2)	$ 51,000	$ 173,000	$75,744	$0	$ 8,241	$307,985
Leon G. Cooperman(3)	$ 40,000	$97,000	$75,121	$0	$27,306	$239,427
Eric C. Fast(4)	$ 20,000	$97,000	$15,280	$0	$21,192	$153,472
R. Glenn Hubbard	$ 28,500	$97,000	$60,935	$0	$26,457	$212,892
John P. Jones(5)	$ 40,000	$97,000	$54,077	$0	$ 5,179	$196,255
Ann Dibble Jordan(6)	$ 3,500	$ 0	$ 0	$0	$ 1,352	$ 4,852
Frederic V. Malek	$ 31,500	$97,000	$72,390	$0	$ 7,306	$208,196
Charles H. Noski(7)	$ 4,000	$65,000	$ 2,091	$0	$ 0	$ 71,091
Sharon T. Rowlands(8)	$ 4,000	$65,000	$ 2,091	$0	$ 0	$ 71,091
Gregory L. Summe(9)	$ 15,000	$97,000	$15,280	$0	$21,192	$148,472
Henry Taub(10)	$ 0	$ 0	$ 0	$0	$60,750(17)	$ 60,750
Arthur F. Weinbach(11)	$129,306	$ 0	$ 0	$0	$20,473	$149,778

(1) Chairman of the compensation committee — $5,000 annual retainer included in fees earned.

(2) Non-executive chairman of our board of directors since November 13, 2007.

(3) Chairman of the audit committee — $10,000 annual retainer included in fees earned.

(4) Mr. Fast became a director on September 10, 2007.

(5) Chairman of the nominating/corporate governance committee — $5,000 annual retainer included in fees earned.

(6) Ms. Jordan retired on August 9, 2007.

(7) Mr. Noski became a director on April 30, 2008.

(8) Ms. Rowlands became a director on April 30, 2008.

(9) Mr. Summe became a director on September 10, 2007.

(10) Honorary chairman of board of directors since 1986.

(11) Mr. Weinbach served as non-executive chairman of our board of directors until November 13, 2007 and earned $129,306 in fees for this service.

(12) Messrs. Brenneman, Brun, Cooperman, Hubbard, Jones and Malek elected to have all of their board and committee attendance fees deferred under a program that permits the directors to defer up to 100% of

annual board and committee fees. Also, Ms. Rowlands and Mr. Noski elected to have their board fees deferred. A director may specify whether, upon separation from the board, he or she would like to receive the amounts in the deferred account in a lump sum payment or in a series of substantially equal annual payments over a period ranging from two to ten years.

(13) Represents annual retainer credited in deferred stock units to a director's annual retainer account. See "2003 Director Stock Plan" below. Amounts set forth in the Stock Awards column represent the dollar amount recognized for financial statement reporting purposes for fiscal year 2008 as computed in accordance with Statement of Financial Accounting Standards No. 123(R). For the methodology of how the SFAS 123R amount is calculated, please see Note 13 to our audited consolidated financial statements for the fiscal year ended June 30, 2008 included in our annual report on Form 10-K for the fiscal year ended June 30, 2008. See "Director Outstanding Deferred Stock Units" table below for the number of outstanding deferred stock units at fiscal year-end and grant date fair value for each director (which information has been adjusted to reflect the spin-off of our former Brokerage Services Group business on March 30, 2007).

(14) Amounts set forth in the Option Awards column represent the dollar amount recognized for financial statement reporting purposes for fiscal year 2008 as computed in accordance with SFAS 123R, disregarding estimates of forfeitures related to service-based vesting conditions. For the methodology of how SFAS 123R amount is calculated, please see Note 13 to our audited consolidated financial statements for the fiscal year ended June 30, 2008 included in our annual report on Form 10-K for the fiscal year ended June 30, 2008. See "Director Outstanding Options" table below for additional information on option awards outstanding at June 30, 2008 (which information has been adjusted to reflect the spin-off of our former Brokerage Services Group business on March 30, 2007).

(15) Reflects the aggregate increase in the present value of the pension benefit. Non-employee directors who joined the board after August 13, 1997 are not eligible to receive this benefit. The present value as of June 30, 2007 is determined based on a discount rate of 6.25% and the GATT-2003 mortality table. The present value as of June 30, 2008 is determined based on a discount rate of 6.95% and the RP-2000 white collar mortality table (projected to 2008). The change in the present value of pension benefit for Mr. Cooperman was negative $1,638; Ms. Jordan was negative $18,232; and Mr. Malek was negative $21,911. We reflected $0 for these negative amounts.

(16) Reflects payment of dividend equivalents on deferred stock units for each director in the following amounts: Mr. Brenneman, $7,306; Mr. Brun, $8,241; Mr. Cooperman, $7,306; Mr. Fast, $1,192; Mr. Hubbard, $6,457; Mr. Jones, $5,179; Ms. Jordan, $1,352; Mr. Malek, $7,306; Mr. Summe, $1,192 and Mr. Weinbach, $673. Also includes contributions by the ADP Foundation that match the charitable gifts made by our directors in the following amounts: $20,000 each for Messrs. Brenneman, Cooperman, Fast, Hubbard and Summe, and $19,800 for Mr. Weinbach. The ADP Foundation makes matching charitable contributions in an amount not to exceed $20,000 in a calendar year in respect of any given director's charitable contributions for that charitable year.

(17) Reflects a $50,000 salary earned as an employee, and use of a car leased by the company with an aggregate incremental cost to the company of $10,750.

Director Outstanding Deferred Stock Units

Name	**Grant Date**	**Number of Deferred Stock Units**	**Grant Date Fair Market Value**
Gregory D. Brenneman	11/13/2003	1,538	$ 55,000
	11/11/2004	1,344	$ 55,000
	11/10/2005	1,534	$ 65,000
	11/14/2006	1,462	$ 65,000
	11/13/2007	2,056	$ 97,000

Leslie A. Brun	11/13/2003	1,538	$ 55,000
	11/11/2004	1,344	$ 55,000
	11/10/2005	1,534	$ 65,000
	11/14/2006	1,462	$ 65,000
	11/13/2007	3,668	$ 173,000
Leon G. Cooperman	11/13/2003	1,538	$ 55,000
	11/11/2004	1,344	$ 55,000
	11/10/2005	1,534	$ 65,000
	11/14/2006	1,462	$ 65,000
	11/13/2007	2,056	$ 97,000
Eric C. Fast	11/13/2007	2,056	$ 97,000
R. Glenn Hubbard	11/13/2003	722	$ 27,500
	11/11/2004	1,344	$ 55,000
	11/10/2005	1,534	$ 65,000
	11/14/2006	1,462	$ 65,000
	11/13/2007	2,056	$ 97,000
John P. Jones	11/11/2004	837	$ 33,000
	11/10/2005	1,534	$ 65,000
	11/14/2006	1,462	$ 65,000
	11/13/2007	2,056	$ 97,000
Frederic V. Malek	11/13/2003	1,538	$ 55,000
	11/11/2004	1,344	$ 55,000
	11/10/2005	1,534	$ 65,000
	11/14/2006	1,462	$ 65,000
	11/13/2007	2,056	$ 97,000
Charles H. Noski	04/30/2008	1,470	$ 65,000
Sharon T. Rowlands	04/30/2008	1,470	$ 65,000
Gregory L. Summe	11/13/2007	2,056	$ 97,000

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Director Outstanding Options

Name	Grant Date	Expiration Date	Exercise Price	Grant Date Fair Market Value	Outstanding Stock Options
Gregory D. Brenneman	8/13/2001	8/12/2011	$ 44.0566	$ 208,239	13,718
	8/11/2003	8/10/2013	$ 34.4525	$ 164,890	13,718
	8/11/2003	8/10/2013	$ 34.4525	$ 131,920	10,975
	11/11/2003	11/10/2013	$ 35.7419	$ 65,625	5,487
	11/9/2004	11/8/2014	$ 40.8901	$ 67,929	5,487
	11/8/2005	11/7/2015	$ 42.3390	$ 57,284	5,487
	11/14/2006	11/13/2016	$ 44.4119	$ 62,826	5,487

	11/13/2007	11/13/2017	$47.1600	$ 53,100	5,000
Leslie A. Brun	1/28/2003	1/27/2013	$31.7189	$144,313	13,718
	8/11/2003	8/10/2013	$34.4525	$164,890	13,718
	8/11/2003	8/10/2013	$34.4525	$131,920	10,975
	11/11/2003	11/10/2013	$35.7419	$ 65,625	5,487
	11/9/2004	11/8/2014	$40.8901	$ 67,929	5,487
	11/8/2005	11/7/2015	$42.3390	$ 57,284	5,487
	11/14/2006	11/13/2016	$44.4119	$ 62,826	5,487
	11/13/2007	11/13/2017	$47.1600	$ 53,100	5,000
Leon G. Cooperman	11/13/2001	11/12/2011	$50.0249	$202,889	13,718
	8/11/2003	8/10/2013	$34.4525	$164,890	13,718
	8/11/2003	8/10/2013	$34.4525	$131,920	10,975
	11/11/2003	11/10/2013	$35.7419	$ 65,625	5,487
	11/9/2004	11/8/2014	$40.8901	$ 67,929	5,487
	11/8/2005	11/7/2015	$42.3390	$ 57,284	5,487
	11/14/2006	11/13/2016	$44.4119	$ 62,826	5,487
	11/13/2007	11/13/2017	$47.1600	$ 53,100	5,000
Eric C. Fast	11/13/2007	11/13/2017	$47.1600	$ 53,100	5,000
R. Glenn Hubbard	3/17/2004	3/16/2014	$38.0791	$ 79,671	5,487
	11/9/2004	11/8/2014	$40.8901	$ 67,929	5,487
	11/8/2005	11/7/2015	$42.3390	$ 57,284	5,487
	11/14/2006	11/13/2016	$44.4119	$ 62,826	5,487
	11/13/2007	11/13/2017	$47.1600	$ 53,100	5,000
John P. Jones	1/27/2005	1/26/2015	$39.4003	$ 53,827	5,487
	11/8/2005	11/7/2015	$42.3390	$ 57,284	5,487
	11/14/2006	11/13/2016	$44.4119	$ 62,826	5,487
	11/13/2007	11/13/2017	$47.1600	$ 53,100	5,000
Ann Dibble Jordan	1/5/1998	1/4/2008	$27.4636	$117,539	16,462
	1/16/2003	1/15/2013	$33.1677	$144,313	13,718
	8/11/2003	8/10/2013	$34.4525	$164,890	13,718
	8/11/2003	8/10/2013	$34.4525	$131,920	10,975
	11/11/2003	11/10/2013	$35.7419	$ 65,625	5,487
	11/9/2004	11/8/2014	$40.8901	$ 67,929	5,487
	11/8/2005	11/7/2015	$42.3390	$ 57,284	5,487
	11/14/2006	11/13/2016	$44.4119	$ 62,826	5,487
Frederic V. Malek	11/2/1999	11/1/2009	$43.3390	$117,621	8,231
	8/11/2003	8/10/2013	$34.4525	$164,890	13,718
	8/11/2003	8/10/2013	$34.4525	$131,920	10,975
	11/11/2003	11/10/2013	$35.7419	$ 65,625	5,487
	11/9/2004	11/8/2014	$40.8901	$ 67,929	5,487
	11/8/2005	11/7/2015	$42.3390	$ 57,284	5,487
	11/14/2006	11/13/2016	$44.4119	$ 62,826	5,487
	11/13/2007	11/13/2017	$47.1600	$ 53,100	5,000
Charles H. Noski	4/30/2008	4/30/2018	$44.2000	$ 39,000	5,000
Sharon T. Rowlands	4/30/2008	4/30/2018	$44.2000	$ 39,000	5,000
Gregory L. Summe	11/13/2007	11/13/2017	$47.1600	$ 53,100	5,000
Arthur F. Weinbach	1/26/2007	11/13/2010	$42.9449	$ 11,255	1,097

2003 Director Stock Plan

The company adopted share ownership guidelines that are intended to promote ownership in the company's stock by our non-employee directors and to align their financial interests more closely with those of other stockholders of the company. Under the share ownership guidelines, and pursuant to the 2003 Director Stock Plan, each non-employee director will be credited with an annual grant of deferred stock units on the date established by the board for the payment of the annual retainer equal in number to quotient of $65,000 (which, for fiscal year 2008, constituted a portion of the overall annual retainer of $105,000), divided by the average of the high and low sale prices of a share of our common stock on the date this amount is credited. Non-employee directors will receive, at their election, the additional $40,000 portion of the overall annual retainer either as deferred stock units or in cash. The annual retainer is fully vested when credited to a director's annual retainer account. When a dividend is paid on our common stock, each director's account is credited with an amount equal to the cash dividend. When a director ceases to serve on our board, such director will receive a number of shares of common stock equal to the number of deferred stock units in such director's account and a cash payment equal to the dividend payments accrued, plus interest on the dividend equivalents from the date such dividend equivalents were credited. The interest will be paid with respect to each twelve month period beginning on November 1 of such period to the date of payment and will be equal to the rate for five-year U.S. Treasury Notes published in The Wall Street Journal on the first business day of November of each such twelve month period plus 0.50%. Non-employee directors do not have any voting rights with respect to their deferred stock units.

Security Ownership of Certain Beneficial Owners and Management

The following table contains information regarding the beneficial ownership of common stock by *(i)* each director and nominee for director of the company, *(ii)* each of our executive officers included in the Summary Compensation Table below (we refer to such executive officers as "named executive officers"), *(iii)* all company directors and executive officers as a group (including the named executive officers), and (*iv*) all stockholders that are known to the company to be the beneficial owners of more than 5% of the outstanding shares of common stock. Unless otherwise noted in the footnotes following the table, each person listed below has sole voting and investment power over the shares of common stock reflected in the table. Unless otherwise noted in the footnotes following the table, the information in the table is as of August 31, 2008 and the address of each person named is P.O. Box 34, Roseland, New Jersey, 07068.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent
James B. Benson(2)	217,086	*
Gregory D. Brenneman	53,475	*
Leslie A. Brun	56,537	*
Gary C. Butler	1,407,539	*
Leon G. Cooperman(3)	123,576	*
Eric C. Fast	2,056	*
R. Glenn Hubbard	20,187	*
John P. Jones	12,471	*
Frederic V. Malek(4)	58,732	*
S. Michael Martone	326,555	*
Charles H. Noski	1,470	*
Christopher R. Reidy	36,788	*
Sharon T. Rowlands	1,470	*
George I. Stoeckert(5)	322,843	*
Gregory L. Summe	2,056	*
Henry Taub(6)	4,669,028	*
Capital Research Global Investors(7)	41,187,843	8.1%
Directors and executive officers as a group (26 persons, including those directors and executive officers named above)(8)	8,354,975	1.6%

* Indicates less than one percent.

(1) Includes shares that may be acquired upon the exercise of options granted by the company that are exercisable on or prior to October 30, 2008. The shares beneficially owned include: *(i)* the following shares subject to such options granted to the following directors and executive officers: 161,466 (Mr. Benson), 45,541 (Mr. Brenneman), 44,991 (Mr. Brun), 1,073,733 (Mr. Butler), 47,187 (Mr. Cooperman), 12,069 (Mr. Hubbard), 6,582 (Mr. Jones), 42,798 (Mr. Malek), 213,606 (Mr. Martone), and 193,760 (Mr. Stoeckert); and *(ii)* 2,597,486 shares subject to such options granted to the directors and executive officers as a group.

(2) Excludes an aggregate of 1,316 shares of common stock owned outright by members of Mr. Benson's immediate family or by trusts of which members of Mr. Benson's immediate family were potential beneficiaries. Mr. Benson disclaims beneficial ownership of such shares.

(3) Includes 33,455 shares, representing the gain from exercising an option to purchase 38,000 shares of common stock on October 15, 2001. Mr. Cooperman deferred receipt of the shares representing such gain.

(4) Excludes an aggregate of 3,200 shares of common stock owned outright by members of Mr. Malek's immediate family or by trusts of which members of Mr. Malek's immediate family were potential beneficiaries. Mr. Malek disclaims beneficial ownership of such shares.

(5) The number of shares owned by Mr. Stoeckert is based on information as of August 8, 2008.

(6) Excludes an aggregate of 306,149 shares of common stock owned outright by members of Mr. Taub's immediate family or by trusts of which members of Mr. Taub's immediate family were potential beneficiaries. Mr. Taub disclaims beneficial ownership of such shares.

(7) On August 14, 2008, Capital Research Global Investors, located at 333 South Hope Street, Los Angeles, CA 90071, filed a statement on Schedule 13F with the Securities and Exchange Commission to report that it beneficially held 41,187,843 shares of common stock as of June 30, 2008.

(8) Excludes an aggregate of 1,907 shares of common stock owned by members of the immediate families of our non- director officers. The company's non-director officers disclaim beneficial ownership of such shares.

Equity Compensation Plan Information

The following table sets forth information as of June 30, 2008 regarding compensation plans under which the company's equity securities are authorized for issuance:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column (a)) (c)
Equity compensation plans approved by security holders	52,606,661(1)	$40.85	31,008,023(2)
Equity compensation plans not approved by security holders(3)	227,723	$36.69	2,521,116(4),(5),(6)
Total	52,834,384	$40.83	33,529,139

(1) Includes 3,479,492 shares of restricted stock issuable under our two-year performance-based restricted stock programs, Accelerated Revenue Program and 2003 Director Stock Plan. The remaining balance consists of outstanding stock option grants. Weighted average exercise price shown in column *(b)* of this table does not take into account awards under our two-year performance-based restricted stock programs, Accelerated Revenue Program and 2003 Director Stock Plan.

(2) Includes 4,578,545 shares of common stock remaining available for future issuance under the Employees Savings- Stock Purchase Plan, which shares and weighted average exercise prices are not reflected in columns *(a)* and *(b)* of this table. 4,514,966 shares of common stock are subject to purchase during current purchase periods under the Employees Savings-Stock Purchase Plan. Also includes 3,500,000 shares and 130,478 shares of common stock remaining available for future issuance under the Amended and Restated Executive Incentive Compensation Plan and 2003 Director Stock Plan, respectively.

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(3) Represents *(i)* the 1989 Non-Employee Director Stock Option Plan, *(ii)* the Key Employees Restricted Stock Plan, and *(iii)* the Amended and Restated Employees Saving-Stock Option Plan for our employees based in France, none of which have been approved by the companys stockholders. Prior to 2004, the non-employee directors of the company were entitled to participate in the 1989 Non-Employee Director Stock Option Plan pursuant to which options to purchase 12,500 shares of common stock were automatically granted to persons who become non-employee directors. In addition, each non-employee director was granted an additional option to purchase 12,500 shares on the first business day after each fifth anniversary of the date of the initial grant to each such non-employee director, provided that he or she was then still serving in such capacity. All options granted under the 1989 Non-Employee Director Stock Option Plan were granted at the fair market value of the common stock, determined on the basis of the closing price of the common stock in consolidated trading on the date of grant, as reported in *The Wall Street Journal*. Twenty percent of the options granted under the 1989 Non-Employee Director Stock Option Plan became exercisable on each anniversary of the date such options were granted until all such options were exercisable, provided that options became exercisable only if the director was then still serving in such capacity, unless certain specified events occurred such as the death, disability or retirement of a director, in which case the options immediately vested and became fully exercisable. All options granted under the 1989 Non-Employee Director Stock Option Plan have a term of ten years. The material terms of the Key Employees Restricted Stock Plan are described under Time-Based Restricted Stock in Note 13 to the Consolidated Financial Statements included in the companys annual report on Form 10-K for the fiscal year ended June 30, 2008, and the material terms of the Employees Saving-Stock Option Plan for our employees based in France are described in footnote (6) below.

(4) Following stockholder approval of the amendment to the 2000 Stock Option Plan at the companys 2003 Annual Meeting of Stockholders, the 1989 Non-Employee Director Stock Option Plan was amended to prohibit any future stock option grants thereunder.

(5) Includes 1,592,545 shares of common stock reserved for issuance pursuant to the Key Employees Restricted Stock Plan.

(6) Includes 928,571 shares of common stock reserved for issuance pursuant to the Employees Saving-Stock Option Plan for our employees based in France. 192,800 shares of common stock are subject to purchase during current purchase periods under the Employees Saving-Stock Option Plan. The board of directors adopted the plan in January 1996 and amended it most recently in November 2005. The plan is designed to satisfy French tax requirements and is generally similar in operation to our Employees Savings-Stock Purchase Plan. The plan offers our French employees an opportunity to purchase shares of common stock at 85% of the market value for such stock at the date the purchase price for the offering is determined. Employees of the company based in France are granted an option to purchase shares of our common stock under annual offerings that commence on January 1 of each calendar year and continue for 48 months to close on December 31 of the fourth year following its commencement. Each eligible employee may elect to receive stock options in each offering that would generally entitle such employee to purchase a whole number of shares of common stock equivalent in value to up to 10% of his or her base salary, based upon a price per share (in U.S. dollars) determined in advance of such offering by the French Stock Option Committee, subject to adjustment for currency rate changes over the term of the offering. Participating employees pay for the exercise of the stock options through monthly payroll deductions taken during the four-year period of each offering, and have the opportunity upon the close of the offering to exercise their

stock options (or any portion thereof) and purchase the associated number of shares of common stock. To the extent a participating employee elects to purchase fewer shares of common stock than would be available under his or her full allotment of stock options, such employee would receive the cash remaining from the aggregate payroll deductions after taking into account his or her purchase of shares of common stock.

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COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The compensation committee of our board of directors determines the compensation for our key executive officers. This section of the proxy statement explains how our executive compensation programs are designed and operate with respect to our named executive officers (the chief executive officer, the chief financial officer, and the three other most highly compensated executive officers in a particular year) by discussing the following fundamental aspects of our compensation program:

- compensation principles;
- cash compensation;
- long-term incentive compensation; and
- retirement benefits, deferred compensation and other compensation matters and benefits.

Compensation Principles

The compensation committee and our management believe that compensation must be designed to create a direct link between performance and stockholder value. To that end, there are three principles that guide the compensation committee and our management as they make decisions involving our key executives compensation. These principles are that compensation should be:

- based on *(i)* each key executives individual performance*(ii)* the performance of such executives business unit, and *(iii)* the overall performance of the company;
- closely aligned with the short-term and long-term financial and strategic objectives that build stockholder value; and
- competitive in order to attract and retain executives critical to our long-term success.

Our compensation programs are designed to link pay with relative levels of responsibility among our key executives. Overall targeted compensation opportunities are generally similar for key executives who have comparable levels of responsibility. However, actual compensation amounts may differ depending on performance of a business unit and achievement of individual performance goals.

We design our performance-based compensation so that differences in performance will result in significant differences in the compensation our key executives receive. For example, restricted stock awards under our two-year performance-based restricted stock program can range from no restricted stock being awarded if our fully diluted earnings-per-share from continuing operations growth targets are not met, up to a maximum of 125% of the target award if our fully diluted earnings-per-share from continuing operations growth targets are significantly exceeded. We have adopted this compensation design to provide meaningful incentives for our key executives to achieve excellent results.

The elements of compensation for our named executive officers are base salary, annual cash bonus, restricted stock awards, stock option grants, retirement plans, deferred compensation, and other benefits. We assign all executives to pay grades by comparing their position-specific duties and responsibilities with market data and our internal management structure. Each pay grade has a base salary range, a total annual compensation range (which includes the value of restricted stock awards), and corresponding annual stock option grant ranges.

Total Compensation Market Data

We consult different sets of compensation data reflecting the practices of different groups of businesses to determine competitive compensation practices for our chief executive officer, chief operating officer, and all other named executive officers.

In determining the total cash and equity-based compensation of our chief executive officer, the compensation committee, at its April 2007 meeting, considered an internally prepared study of chief executive officer compensation that contained a comparison of 106 publicly traded companies with annual revenues between $4 billion and $11 billion. We obtained the data for this CEO compensation study from Equilar, Inc., a provider of executive compensation proxy data, and Mercer Human Resources Consulting. The CEO compensation study excluded utility companies because of the regulatory environment

in which those companies operate. We analyzed the CEO compensation study data and compared our pay practices with respect to base salary, bonus and long-term equity incentives to the 106 companies included in the CEO compensation study. A group of our executives that does not include any of our named executive officers made CEO pay recommendations to the compensation committee based on this data. The compensation committee’s compensation consultant, Frederic W. Cook & Co., Inc., has confirmed that our use of this data is reasonable and customary, given our size and operating structure. The names of the CEO compensation study’s participant companies are listed at the end of this Compensation Discussion and Analysis under the caption “CEO Compensation Study Participant Companies.”

In determining the total cash and equity-based compensation of our chief operating officer, the compensation committee, at its August 2007 meeting, considered an internally prepared study of chief operating officer compensation. Our COO compensation study reported pay trends based on the data we obtained from Towers Perrin, Hewitt Associates, and Mercer Human Resources Consulting. The data reflected aggregated results of compensation surveys of 54 publicly traded companies with annual revenues between $5 billion and $10 billion, but did not reveal individual data for participating companies.

With respect to the total cash and equity-based compensation of all other executive officers, we considered third-party data reflecting the pay practices of publicly traded companies of similar revenue size that participate in compensation surveys conducted by Towers Perrin, Hewitt Associates, and Mercer Human Resources Consulting. We have consulted the following surveys that were based on data from a broad range of industries:

- Towers Perrin U.S. General Industry Executive Database. Our analysis focused on the 87 companies with revenues between $6 - $10 billion.

- Hewitt Associates TCM Executive Total Compensation by Industry survey. Our analysis focused on the 25 companies with revenues between $5 - $10 billion.

- Mercer Human Resources U.S. General Industry Executive Database. Our analysis focused on the 103 companies with revenues between $5 - $10 billion.

The compensation committee targets annual cash compensation (base salary plus target bonus) of our key executives (including the named executive officers) at approximately the 50th percentile of what we determine are competitive compensation practices, and the value of our long-term incentive compensation programs at approximately the 75th percentile of such competitive compensation practices. The compensation committee targets total cash and equity-based compensation (base salary, target bonus, and the value of long-term incentive compensation program awards and grants) at approximately the 60th percentile of competitive compensation practices. The ability to receive compensation at the 60th percentile of competitive compensation practices is tied directly to our stock performance. Underperformance against our goals will cause our total cash and equity-based compensation level to fall short of this 60th percentile target. Conversely, above-target performance will allow our executive officers (including the named executive officers) to exceed this targeted 60th percentile compensation level.

Differences in Compensation of Our Named Executive Officers

In terms of total pay, Mr. Butler and Mr. Martone were paid significantly more in fiscal year 2008 than our other named executive officers. We have carefully designed the pay mixes for Mr. Butler and Mr. Martone to be competitive when measured against the pay packages their counterparts receive as indicated by the CEO and COO compensation studies. A group of our executives that does not include any of our named executive officers recommended to the compensation committee a base salary amount, a bonus amount and an equity grant size taking into account the results of the CEO and COO compensation studies and history of each of Mr. Butler's and Mr. Martone's historic pay for the prior five years.

The compensation decisions for Mr. Butler and Mr. Martone are guided primarily by competitive compensation practices. The compensation committee has found that due to a unique set of responsibilities and experience required for these positions, competitive compensation packages to chief executive officers and chief operating officers of public companies of size similar to ours are significantly higher than those provided to other named executive officers. When determining the specific compensation level for each of our named executive officers, the compensation committee reviews each individual compensation element based on both the previous year's level, as well as how the proposed level for that individual element would compare to the other executive officers. Then, the compensation committee compares the aggregate level for each named executive officer's compensation against the executive's previous year's totals and against compensation of other executive officers of the company.

Compensation Consultant

The compensation committee has consulted with Frederic W. Cook & Co., Inc. on matters related to the compensation of our key executive officers. Specific matters on which Frederic W. Cook & Co., Inc. provided advice include: the design and mix of executive long-term incentive equity compensation programs; our own efforts to establish CEO pay levels; and the design of the 2008 Omnibus Award Plan. Frederic W. Cook & Co., Inc. has not provided any services to management.

Frederic W. Cook & Co., Inc. examined the mix of restricted stock and options that management proposed to the compensation committee be granted to our named executive officers. Since the proposed mix and size of equity awards and grants was based on the market data management assembled, Frederic W. Cook & Co., Inc. confirmed that the proposals for the named executive officers appeared reasonable and customary, given our size and structure. Frederic W. Cook & Co., Inc. also reviewed our internal CEO compensation study to confirm that the methodology we used was reasonable and customary.

Frederic W. Cook & Co., Inc. has been extensively involved in the development of our 2008 Omnibus Award Plan, which we are submitting for approval at our stockholders meeting. Frederic W. Cook & Co., Inc. advised us on the plan design and features that would best meet our needs for having one incentive compensation plan that may be used to make equity awards and grants to our named executive officers, employees and directors, performance-based cash bonuses to our executives, and deferred share unit awards to our directors. They advised on the terms of the plan and the size and structure of the share pool to be used in the 2008 Omnibus Award Plan.

Cash Compensation

Our annual pay review focuses on base salary, annual bonus and long-term equity incentives. Our compensation committee examines summary compensation sheets detailing the amounts of these compensation components for each of our named executive officers and compares such amounts to competitive compensation practices to determine if a specific component should be increased in relation to other components, while retaining the targeted compensation level.

Base Salary

Base salaries represent a fixed amount paid to each executive for performing his or her normal duties and responsibilities. We determine the amount on the basis of the executive's overall performance, level of responsibility, pay grade, competitive compensation practices data, and comparison to other company executives.

At its August 2007 meeting, the compensation committee considered the findings of the CEO compensation study when it determined Mr. Butler's compensation for fiscal year 2008. This CEO compensation study indicated that chief executive officers included in the study had an annual median base salary of $987,500, a median annual bonus of $1,391,300, a median long-term incentive compensation value of $3,916,500, and median total cash and equity-based compensation of $6,572,000. The compensation committee set Mr. Butler's base salary at $900,000, which placed Mr. Butler at the 34th percentile of the CEO compensation study. Since Mr. Butler's time in the CEO position was less than others in the study, the committee believes that this is an appropriate positioning for our CEO.

Also at its August 2007 meeting, the compensation committee considered the findings of the COO compensation study when it determined Mr. Martone's compensation for fiscal year 2008. This COO compensation study indicated that chief operating officers included in the study had an annual median base salary of $704,200 and median total cash and equity-based compensation of $3,093,100. Effective July 1, 2007, Mr. Martone received a 3.8% merit pay increase as part of his normal annual compensation review based on an assessment of his performance. At its October 26, 2007 meeting, the compensation committee decided to discontinue a practice of reimbursing Mr. Martone for personal use of the company-chartered aircraft and replaced it with a $125,000 annual perquisite allowance and a $75,000 base salary increase. The compensation committee implemented this change to create a consistent perquisite policy for Mr. Butler and Mr. Martone, and to control costs. The foregoing decisions resulted in Mr. Martone receiving in fiscal year 2008 a base salary of $750,000 (63rd percentile of the market as indicated by the COO compensation study) and an annual perquisite allowance of $125,000.

There have been no changes in fiscal year 2008 to base salaries paid to Messrs. Reidy, Benson and Stoeckert, as their merit review date was moved from April 2008 until the beginning of fiscal year 2009 in order for all of our executive officers to have their salary reviewed at one time.

Annual Cash Bonus

Overview

We paid our named executive officers cash bonuses for fiscal year 2008 based on the attainment of individual, business unit and company-wide business goals established at the beginning of the fiscal year. For each position (including the named executive officers), we establish a target bonus amount, which is initially expressed as a percentage of the projected year-end annual base salary. We also assign a percentage value to each bonus component of each named executive officer's annual bonus plan and then determine the target bonus amount linked to each component. We establish these performance ranges to provide our named executive officers with a strong incentive to exceed the targets and a strong disincentive to not achieve them. The maximum bonus payment to our chief executive officer is 200% of his target bonus level. All other named executive officers have a maximum bonus payment of 175% of their respective target bonus levels. There is no minimum payment level.

The compensation committee establishes and approves the annual target bonus objectives and values for each of our executive officers (including each of the named executive officers). Our chief executive officer recommends to the compensation committee the annual target bonus objectives and values for each of our named executive officers, with the following exceptions: our chief executive officer recommends to the compensation committee annual target bonus objectives applicable to him, but not his bonus values, and our chief operating officer recommends to the compensation committee Mr. Stoeckert's bonus objectives. Our named executive officers participate in the discussions surrounding their bonus objectives so that they can provide their input and understand the expectations of each bonus plan component. Each named executive officer receives a final version of his or her individualized bonus plan after it has been approved by the compensation committee. Except in extraordinary circumstances, bonus plan objectives are not modified during the fiscal year.

The compensation committee reviews the performance of each of our executive officers (including each of the named executive officers) relative to their annual fiscal year target bonus plan objectives at its regularly scheduled August meeting, which is the first meeting following the end of our fiscal year. Based on such review, the compensation committee determines and approves the annual cash bonuses for each of our executive officers (including the named executive officers).

Named Executive Officers Fiscal Year 2008 Target Bonus Objectives

The compensation committee established 20% earnings-per-share growth as a common target bonus objective for each of our named executive officers. Mr. Butlers target bonus objectives limited the payout to two times the target, but did not otherwise specify the payout for achieving earnings-per-share growth higher than 20%. The following table shows the percentage of points allocated to the earnings-per-share growth target objective we will award to our named executive officers other than Mr. Butler based on our actual rate of earnings-per-share growth:

Earnings-Per-Share Growth Percentage		Corresponding Point Percentage
18%	=	50%
19	=	75
20	=	100(target)
21	=	120
22	=	140
23	=	160
24	=	180
25	=	200

The compensation committee established 12% revenue growth, excluding acquisitions, as a common target bonus objective for Messrs. Martone, Reidy and Benson. For Mr. Butler, the target revenue growth, excluding acquisitions, was set at 12.5%. Mr. Stoeckert did not have the company-wide target revenue growth as one of his bonus objectives. The following table shows the percentage of points allocated to the revenue growth target objective we will award to Messrs. Martone, Reidy and Benson based on our actual revenue growth:

Revenue Growth Percentage		Corresponding Point Percentage
10.5%	=	25%
11.0	=	50
11.5	=	75
12.0	=	100(target)
12.5	=	125
13.0	=	150
14.0	=	200

The target bonus objectives for our named executive officers are set forth in detail below.

Mr. Butler

The compensation committee set Mr. Butlers fiscal year 2008 target bonus at $1,500,000, or 167% of his year-end base salary of $900,000. This positioned Mr. Butlers target total cash compensation at approximately the 53rd percentile of market median based on the CEO compensation study. The increase of 6.7% in Mr. Butlers target cash compensation for fiscal year 2008 over his fiscal year 2007 targeted total cash compensation is consistent with the 6.8% year-over-year increase for the companies included in the CEO compensation study with respect to chief executive officers who were in the same position the prior year.

When Mr. Butlers base salary and target bonus are combined with the recommended target equity-based awards and grants (as discussed later), his total cash and equity-based compensation is approximately 2% below the median of the CEO compensation study and places Mr. Butler at approximately the 49th percentile of market median based on the CEO compensation study.

Mr. Butler's target bonus objectives and bonus formula for fiscal year 2008 are based on an allocation of up to 1,500 points to ten different target elements. Each point achieved would yield $1,000 of bonus for him. His target bonus is thus $1,500,000. Mr. Butler may achieve up to two times the target point objective for each target element, and thus is eligible for a maximum bonus of $3,000,000. Mr. Butler's bonus depends on the achievement of targets and target point allocations set forth below.

Earnings-Per-Share Growth: 300 points if we achieve target earnings-per-share growth.

Revenue Growth: 250 points if we achieve target revenue growth.

Return on Equity: 100 points if we achieve 24% return on equity from continuing operations. Maximum allocation of 200 points is based on 25.7% return on equity.

Acquisitions: 100 points if we achieve 1.5% to 2.5% of plan revenue through strategic acquisitions.

Corporate Strategy: 100 points if we hire a new vice president of strategy and develop a new core of strategies to maintain our sales and revenue growth rates for fiscal years 2010 through 2012.

Market Share: 100 points if we improve our market share gains from the 2007 fiscal year, with a particular focus on growing our core payroll and tax business and "Administrative Services Only" business, and maintenance of our client base.

Margin improvement: 100 points if action is taken in fiscal year 2008 that would result in 50 to 100 basis points in margin improvement for fiscal year 2009, with a focus on consolidation of facilities, expansion of the business outside the United States and cost-effective locations in the United States, and achievement of $15 million to $20 million of additional annual synergies by consolidating certain functions among various Employer Services business units and the corporate structure.

Strategic Review Initiative: 100 points if we complete a strategic review of our balance sheet, share repurchase levels, dividend policy and develop other methods designed to return excess cash to stockholders.

Succession and Executive Development Objectives: 200 points for the achievement of the following five key milestones in our succession planning and executive development initiatives:

- Continued development of a potential group of successors to our chief executive officer and chief operating officer, with an emphasis on the preparation of individual development plans to be reviewed and coordinated with our board of directors;
- Identification and monitoring of additional potential successors;
- Consolidation of various divisions of our Employer Services business;
- Fostering the success of our chief financial officer, our vice president of Human Resources and our vice president of Corporate Strategy; and
- Implementation of succession planning for positions further down in the organization.

Service Profit Chain: 150 points if we improve our service profit chain by enhancing service quality, increasing client satisfaction and retention levels, and improving associate turnover levels.

Mr. Martone

Upon Mr. Butler's recommendation, the compensation committee in August 2007 approved Mr. Martone's fiscal year 2008 target bonus at $675,000, or 100% of his then projected year-end base salary. This positioned Mr.

Martone's target cash compensation at the 48th percentile of the market data based on the COO compensation study. Subsequently, when Mr. Martone's base salary was increased to $750,000, his target bonus became 100% of that amount. This new target total cash compensation positioned Mr. Martone at the 58th percentile of the COO compensation study.

When Mr. Martone's base salary and target bonus are combined with his recommended target equity-based awards and grants, his total cash and equity-based compensation is at the 58th percentile, just below our targeted 60th percentile.

Mr. Martone's target bonus objectives and bonus formula for fiscal year 2008 are based on an allocation of up to 1,000 points among six different target elements. Each point achieved would yield $750 of bonus payment. Mr. Martone may achieve up to 1.75 times the target point objective at maximum performance for each element, and thus is eligible for a maximum bonus of $1,312,500.

Earnings-Per-Share Growth: We will award 200 points if we achieve target earnings-per-share growth.

Revenue Growth: We will award 200 points if we achieve target revenue growth.

Sales Growth and Retention: We have set the following target point allocations for sales growth and retention measures:

- 100 points if we achieve 10% growth in Employer Services sales (200 points for achievement of 12% growth);
- 25 to 50 points for achievement of low-to-mid double-digit growth in Dealer Services sales; and
- 75 points if we achieve a targeted metric, and up to 150 points if we exceed the targeted metric, of Employer Services client retention results.

Market Share: We will award 200 points if target levels are achieved, and 350 points at maximum, in the following five areas:

- Achievement of 1.5% to 2.5% of plan revenue through strategic acquisitions;
- Improvements to our market share gains from the 2007 fiscal year, with a particular focus on growing our core payroll and tax business and "Administrative Services Offering" business, and maintenance of our client base;
- Taking action in fiscal year 2008 that would result in 50 to 100 basis points in margin improvement in our Employer Services business in fiscal year 2009, with a focus on consolidation of facilities, expansion of the business outside the United States and cost-effective locations in the United States, and achievement of $20 million to $30 million of additional synergies by consolidating certain functions among various Employer Services business units and the corporate structure;
- Significant penetration of our "Beyond Payroll" product into our Employer Services client base; and
- Expansion of our Dealer Services International business.

Succession and Executive Development Objectives: We will award 100 points if target levels are achieved, and 175 points at maximum, for the achievement of the following four key milestones in our succession planning and executive development initiatives:

- Continued development of a potential group of successors to our chief executive officer and chief operating officer, with an emphasis on the preparation of updated individual personnel development plans for each of the candidates for succession;

- Enhanced collaboration with our chief executive officer, our vice president of Human Resources and our vice president of Corporate Strategy;
- Successful integration of Employer Services International and Employer Services National Accounts divisions by the end of the third quarter of the 2008 fiscal year; and
- Enhanced involvement in our executive diversity council and related initiatives.

2009 Operating Plan: We will award up to 200 points for developing an operating plan for fiscal year 2009 that would target a double-digit revenue growth.

Mr. Reidy

The compensation committee approved Mr. Reidy's fiscal year 2008 target bonus at $408,000, or 80% of his projected year-end base salary of $510,000. The target bonus as a percentage of Mr. Reidy's base salary is the same as in fiscal year 2007.

Mr. Reidy's target bonus objectives and formula for fiscal year 2008 are based on an allocation of up to 1,125 points among 12 different target elements. Each point achieved would yield approximately $363 of bonus payment. Mr. Reidy may achieve up to 1.75 times the target point objective at maximum performance for each element, and thus is eligible for a maximum bonus of $714,000.

Earnings-Per-Share Growth: We will award 200 points if we achieve target earnings-per-share growth.

Revenue Growth: We will award 200 points if we achieve target revenue growth.

Return on equity: We will award 100 points if target levels are achieved, and 200 points at maximum, if we achieve a 24% return on equity from continuing operations. Maximum allocation of 200 points is based on 25.7% return on equity from continuing operations.

Margin improvement: We will award 100 points if target levels are achieved, and 200 points at maximum, if action is taken in fiscal year 2008 that would result in 50 to 100 basis points in margin improvement for fiscal year 2009, with a focus on consolidation of facilities, expansion of the business outside the United States and cost-effective locations in the United States, and achievement of $20 million to $30 million of additional synergies by consolidating certain functions among various Employer Services business units and the corporate structure.

Strategic Review Initiative: We will award 75 points if target levels are achieved, and 130 points at maximum, if we complete a strategic review of our balance sheet, share repurchase levels, dividend policy and other methods to return excess cash to our stockholders.

Acquisitions: We will award 75 points if target levels are achieved, and 130 points at maximum, if we achieve a 1.5% to 2.5% of plan revenue through strategic acquisitions.

Tax: We will award 75 points if target levels are achieved, and 130 points at maximum, if we reduce our effective tax rate by an additional 150 basis points for fiscal years 2008 and 2009, with a minimum of 30 basis points in fiscal year 2008. A particular focus in this measurement will be our international tax profile and methods for effectively and efficiently returning offshore cash to the United States.

2009 Operating Plan: We will award up to 130 points for developing an operating plan for fiscal year 2009 that would target double-digit revenue growth.

Market Share: We will award 50 points if target levels are achieved, and 85 points at maximum, if we achieve improvements to our market share gains from the 2007 fiscal year, with a particular focus on growing our core payroll and tax business and "Administrative Services Offering" business, and maintenance of our client base.

Investor Relations: We will award 50 points if target levels are achieved, and 85 points at maximum, if we achieve improvements in investor relations, measured largely by Mr. Reidy's personal involvement, his use of effective approaches to large investor conference meetings and his increased involvement with the international investment community.

Executive Development: We will award 50 points if target levels are achieved, and 85 points at maximum, for fostering the success of our corporate controller, the continued review of the organizational structure of our finance department, and personal involvement in margin improvement efforts across our corporate information technology, data centers and Employer Services group.

Leadership: We will award 75 points if target levels are achieved, and 130 at maximum, for quality of leadership accomplishments, including executive committee involvement.

Mr. Benson

The compensation committee approved Mr. Benson's fiscal year 2008 target bonus at $315,000, or 70% of his projected year-end salary of $450,100. The target bonus as a percentage of Mr. Benson's base salary is the same as in fiscal year 2007.

Mr. Benson's target bonus objectives and formula for fiscal year 2008 are based on an allocation of up to 1,000 points among eight different target elements. Each point achieved would yield $315 of bonus payment. Mr. Benson may achieve up to 1.75 times the target point objective at maximum performance for each element, and thus is eligible for a maximum bonus of $551,300.

Earnings-Per-Share Growth: We will award 125 points if we achieve target earnings-per-share growth.

Revenue Growth: We will award 125 points if we achieve target revenue growth.

Margin Improvement: We will award 100 points if target levels are achieved, and 200 at maximum, if action is taken in fiscal year 2008 that would result in 50 to 100 basis points in margin improvement for fiscal year 2009, with a focus on consolidation of facilities, expansion of the business outside the United States and cost-effective locations in the United States, and achievement of $20 million to $30 million of additional synergies by consolidating certain functions among various Employer Services business units and the corporate structure.

Legal Operations Management: We will award 200 points if target levels are achieved, and 350 at maximum, based on Mr. Benson's management of our legal operations in the following areas:

- Holding fiscal year 2008 actual legal expenses below budgeted legal expenses;
- Minimum of litigation activity and adverse legal verdicts;
- Provision of world-class legal services to our business units; and
- Continued development of legal staff needed to serve our business needs in the future.

Security Initiative: We will award 150 points if target levels are achieved, and 265 at maximum, based on Mr. Benson's role in the implementation of a company-wide initiative to enhance security protocols.

2009 Operating Plan: We will award up to 200 points for developing an operating plan for fiscal year 2009 that would target a double-digit revenue growth.

Executive Development: We will award 100 points if target levels are achieved, and 175 at maximum, for development of a potential group of successors to Mr. Benson, and for fostering the success of our vice president of Human Resources and our vice president of Corporate Development.

Leadership: We will award 100 points if target levels are achieved, and 175 at maximum, based on Mr. Benson's measured leadership achievements, including Mr. Benson's role in our improvement of market gains, the nature of the legal and business advice he provides to senior executives, his role in corporate governance matters and his continued collaboration with our chief executive officer and the board.

Mr. Stoeckert

The compensation committee approved Mr. Stoeckert's fiscal year 2008 target bonus at $306,750, or 75% of his projected year-end base salary of $409,000. The target bonus as a percentage of Mr. Stoeckert's base salary is the same as in fiscal year 2007.

Mr. Stoeckert's target bonus objectives and formula for fiscal year 2008 are based on an allocation of up to 100 points among seven different target elements. Each point achieved would yield approximately $3,068 of bonus payment. Mr. Stoeckert may achieve up to 1.75 times the target point objective at maximum performance for each element, and thus is eligible for a maximum bonus of $536,813.

Earnings-Per-Share Growth: We will award 5 points if we achieve target earnings-per-share growth.

Employer Services Financial Performance: We will award 10 points if target levels are achieved, and 20 points at maximum, for successful achievement by our entire Employer Services division of low-to-mid double-digit revenue, net operating income and sales growth over fiscal year 2007 results.

Employer Services International Performance: We will award 40 points if target levels are achieved, and 80 points at maximum, for successful achievement by our Employer Services International division of revenue, net operating income and sales growth over the division's fiscal year 2007 results. Mr. Stoeckert's bonus also includes a metric on his division's client retention results as compared to fiscal year 2007.

Employer Services International Operational Initiatives: We will award 25 points if target levels are achieved, and 43.7 points at maximum, for successful achievement of specific operational objectives in several foreign markets.

Acquisitions: We will award 5 points if target levels are achieved, and 8.8 points at maximum, if we achieve a 1.5% to 2.5% of plan revenue through strategic acquisitions.

Executive Development: We will award 5 points if target levels are achieved, and 8.8 points at maximum, for strengthening the succession planning process, developing of next generation of leaders, and increasing workforce diversity.

Leadership: We will award 10 points if target levels are achieved, and 17.5 at maximum, for quality of leadership accomplishments.

Named Executive Officers' Actual Fiscal Year 2008 Bonuses

The compensation committee approved Messrs. Reidy's and Benson's bonus plans and targeted bonus amounts upon Mr. Butler's recommendation. Both Mr. Martone and Mr. Butler recommended to the compensation committee Mr. Stoeckert's 2008 bonus plan and targeted bonus amount.

At its August 2008 meeting, the compensation committee considered the bonus targets set forth above and the performance of the company, the business units and the individual named executive officers for the 2008 fiscal year. With respect to performance by each named executive officer, the compensation committee assessed which of the individual bonus targets were met, exceeded or not fully achieved and then determined that, in the aggregate, each of our named executive officers exceeded his bonus target objectives. In determining the payout for the achievement of the earnings-per-share growth objective, the compensation committee considered the unfavorable general economic conditions in the United States during most of the 2008 fiscal year, and concluded that the 21% earnings-per-share growth achieved by the company during an economic downturn warranted special recognition. As a result, the compensation committee elected to score each named executive officer at 150% of the target for the earnings-per-share growth target matrix. With respect to Messrs. Martone, Reidy, Benson and Stoeckert, the 150% payout was higher than the 120% payout contemplated by their earnings-per-share growth target matrix. Accordingly, the compensation committee approved the cash bonuses as follows:

Named Executive Officer	**Actual Bonus Amount**	**Bonus Amount as Percentage of Target**
Gary C. Butler	$ 2,025,000	135.0%
S. Michael Martone	$ 938,250	125.1%
Christopher R. Reidy	$ 546,300	133.9%
James B. Benson	$ 431,000	136.8%
George I. Stoeckert	$ 368,100	120.0%

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Each objective for our named executive officers was satisfied as follows:

Mr. Butler

Points Earned	**Payout as % of Target**	**Target Element**
450 points	150%	Earnings-Per-Share Growth
225	90	Revenue Growth
200	200	Return on Equity
50	50	Acquisitions
100	100	Corporate Strategy
120	120	Market Share
180	180	Margin Improvement
150	150	Strategic Review Initiative
350	175	Succession & Development
200	133	Service Profit Chain
2,025 points	**135.0%**	**Total**

Mr. Martone

Points Earned	**Payout as % of Target**	**Target Element**
200 points	100%	Revenue Growth
300	150	Earnings-Per-Share Growth
		Sales Growth & Retention
90	70	Employer Services Growth
60	140	Dealer Services Growth
74	90	Employer Services Retention
252	126	Market Share
175	175	Succession & Development
100	100	2009 Operating Plan
1,251 points	**125.1%**	**Total**

Mr. Reidy

Points Earned	**Payout as % of Target**	**Target Element**
200 points	100%	Revenue Growth
300	150	Earnings-Per-Share Growth
200	200	Return on Equity
180	180	Margin Improvement
112	150	Strategic Review Initiative
38	50	Acquisitions

130	173	Tax
75	100	2009 Operating Plan
60	120	Market Share
75	150	Investor Relations
60	120	Executive Development
75	100	Leadership
1,505 points	**133.9%**	**Total**

Mr. Benson

Points Earned	Payout as % of Target	Target Element
125 points	100%	Revenue Growth
188	150	Earnings-Per-Share Growth
180	180	Margin Improvement
300	150	Legal Operations Management
225	150	Security Initiative
100	100	2009 Operating Plan
120	120	Executive Development
130	130	Leadership
1,368 points	**136.8%**	**Total**

Mr. Stoeckert

Points Earned	Payout as % of Target	Target Element
7.5 points	150%	Earnings-Per-Share Growth
10.0	100	ES Financial Performance
40.0	100	ES Int'l Performance
37.5	150	ES Int'l Operational Initiatives
2.5	50	Acquisitions
7.5	150	Executive Development
15.0	150	Leadership
120 points	**120.0%**	**Total**

Long-Term Incentive Compensation Programs

We believe that long-term incentive compensation is a significant factor in attracting and retaining key executives (including the named executive officers) and in aligning their interests directly to the interests of our stockholders. Long-term incentives are awarded in the form of restricted stock awards and stock option grants.

Since fiscal year 2007, approximately 60% of the total long-term incentive target compensation has been targeted to come from performance-based restricted stock awards; the remaining 40% has been targeted to come from stock option grants. We believe this mix provides us with a strong executive attraction and retention program.

We use a fixed share grant methodology for devising each award and grant to our named executive officers. Management recommends awards and grants of specific share amounts for each officer. As with base salary and bonus, management provides the compensation committee with a history of its equity grant practices for the preceding five years, plus an analysis of what grant size would keep each grant at the target percentile for that named executive officer when compared to competitive compensation practices management has taken into account. At the request of the compensation committee, Frederic W. Cook & Co., Inc. reviewed the design of our executive long-term incentive compensation program and concluded in its March 2008 written report to the compensation committee that our current approach is a "best practice design that supports the Company's human resources and financial objectives."

The compensation committee targets the value of our long-term incentive compensation programs at approximately the 75th percentile of competitive compensation practices. Prior to the beginning of each fiscal year, we analyze the two-year performance-based restricted stock and stock option targeted award and grant levels to confirm that our desired targeted long-term incentive compensation values are appropriate in the context of the compensation studies referred to under Total Compensation Market Data above. When comparing our desired values to these compensation studies, we look at both equity elements in total.

At its August 2007 meeting, the compensation committee approved the following targeted awards of two-year performance-based restricted stock for the program spanning fiscal years 2008 and 2009: Mr. Butler, 35,000 shares; Mr. Martone, 25,000 shares; Mr. Reidy, 13,000 shares; Mr. Benson, 12,000 shares; and Mr. Stoeckert, 10,400 shares.

Also at its August 2007 meeting, the compensation committee approved stock option grants of 200,000 for Mr. Butler and 55,000 for Mr. Martone. At its January 2008 meeting, the compensation committee approved the following stock option grants: Mr. Reidy, 20,000 options; Mr. Benson, 17,000 options; and Mr. Stoeckert, 20,000 options.

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The compensation committee approves the performance-based restricted stock target award ranges, stock option grant ranges, and all of the individual equity-based compensation awards and grants to each of our executive officers (including the named executive officers). A group of our executives that does not include any of our named executive officers assists the compensation committee by presenting it with summary compensation sheets when the compensation committee considers the performance-based targeted restricted stock awards recommended to our named executive officers and the stock option grants recommended to our chief executive officer and chief operating officer each August. The summary compensation sheets show up to six years of compensation history for these executive officers, including year-over-year increases, for base salary, target bonus, actual bonus, target total cash, the value of annual restricted stock awards, target total cash and annual restricted stock awards combined (total cash compensation). The summary compensation sheets also show a comparison of each executive officers total cash compensation as a percentage of the total cash compensation for our chief executive officer and chief operating officer. The compensation committee does not have a total pay target for any named executive officer. The compensation committee uses the summary compensation sheets to monitor total pay trends for each named executive officer, but the size of each pay element is considered separately.

We have employment agreements that impact long-term incentive compensation of Messrs. Butler and Reidy.

Mr. Butlers employment agreement provides that if the performance goals established by the compensation committee under the applicable two-year performance-based restricted stock program have been achieved at the 100% target level, the company will issue Mr. Butler at least 32,000 shares of restricted stock. Mr. Butlers employment agreement also stipulates that he will be granted stock options for a minimum of 200,000 shares of common stock each fiscal year during the term of the employment agreement. Pursuant to the employment agreement, and in connection with becoming our President and Chief Executive Officer, Mr. Butler received a one-time stock option grant for 150,000 shares of common stock on July 1, 2006. We agreed to all these amounts through an arms-length negotiation between us and Mr. Butler, which was informed by our review of competitive equity compensation practices and restricted stock and option arrangements we had with Mr. Butlers predecessor.

Mr. Reidys employment agreement provides that if the performance goals established by the compensation committee under the applicable two-year performance-based restricted stock program have been achieved at the 100% target level, the company will issue Mr. Reidy 13,000 shares of restricted stock. Mr. Reidys employment agreement also stipulates that, commencing January 1, 2008, he will be granted stock options for a minimum of 20,000 shares of common stock each fiscal year during the term of the employment agreement. We agreed to these amounts through an arms-length negotiation between us and Mr. Reidy. In determining the grant sizes, we took into account restricted stock and option arrangements Mr. Reidy had with his prior employer, our review of competitive equity compensation practices, and compensation arrangements we had with our prior chief financial officer.

Messrs. Butler's and Reidy's employment agreements are summarized in more detail below under "Mr. Butler Employment Agreement" and "Mr. Reidy Employment Agreement," respectively.

Performance-Based Restricted Stock

In fiscal year 2007, the compensation committee largely eliminated our time-based restricted stock program and replaced it with a two-year performance-based restricted stock program to better align the compensation of our key executives (including the named executive officers) with the company's results. The target value of the two-year performance-based restricted stock award for the program spanning fiscal years 2007 and 2008 was designed to equal the number of shares of annual time-based restricted stock that had previously been awarded to each of our executive officers (including the named executive officers). In September 2006, we communicated that under our two-year performance-based restricted stock program an average two-year diluted earnings-per-share from continuing operations growth in fiscal years 2007 and 2008 of more than 13% would be required to receive the awards at the target level and that the awards would be adjusted upward or downward at the end of the performance period as follows:

Average Earnings-Per-Share Growth	**Restricted Stock Grant as Percentage of Target**
9% or under	0%
more than 9% to 11%	75%
more than 11% to 13%	90%
more than 13% to 18%	100%
more than 18% to 20%	115%
over 20%	125%

Our actual average two-year diluted annual earnings-per share growth rate from continuing operations for fiscal years 2007 and 2008 was 22.6%, resulting in awards of restricted stock at the 125% of target level. These shares of restricted stock will vest fully in March 2009. However, the program provides that if an executive officer (including any named executive officer) terminates his or her employment with the company prior to the March 2009 vesting date, such unvested restricted stock will be forfeited back to us. However, pursuant to our separation agreement with Mr. Stoeckert, he will be permitted to vest in these shares. Please see "Separation Agreement with Mr. Stoeckert" below.

In fiscal year 2008, we started a second offering of our two-year performance-based restricted stock program. The compensation committee determined that, with the exception of Mr. Butler, the size of each named executive officer's target performance-based restricted stock award for the program spanning fiscal years 2008 and 2009 will be equal in size to the original number of target awards *(i.e.,* disregarding subsequent adjustment necessitated by the tax-free spin-off of our former Brokerage Services Group business) for the completed performance period spanning fiscal years 2007 and 2008. Because the total value of Mr. Butler's long-term incentive compensation was below the median in our internally prepared CEO compensation study, the compensation committee increased Mr. Butler's target award of restricted stock by 3,000 shares to the total of 35,000 shares.

In September 2007, we communicated that under our two-year performance-based restricted stock program for fiscal years 2008 and 2009, an average two-year diluted earnings-per-share from continuing operations growth of more than 16% will be required to receive the awards at the target level. We will adjust these awards upward or downward at the end of the performance period as follows:

Average Earnings-Per-Share Growth	**Stock Grant as Percentage of Target**
12% or under	0%
more than 12% to 14%	75%

more than 14% to 16%	90%
more than 16% to 18%	100%
more than 18% to 20%	115%
over 20%	125%

We believe it is reasonable to expect our named executive officers to help us achieve 16% to 18% average two-year diluted earnings-per-share from continuing operations growth of our stock. Therefore, we have narrowed the range of target performance compared to the 2007-2008 performance period and have raised the threshold for minimum performance by 33% (to a 12% average two-year diluted annual earnings-per-share from continuing operations growth rate) to assure that these performance-based restricted stock programs reward only exceptional results. Should we not achieve a 12% average two-year diluted annual earnings-per-share from continuing operations growth rate, we believe that we would have materially underperformed our goal, and thus, our named executive officers would not earn a restricted stock award under this program. Likewise, average two-year diluted earnings-per-share growth above 18% can only be achieved through consistently high performance and thus should be rewarded with above-target awards. Based on our actual fiscal year 2008 diluted earnings-per-share from continuing operations growth of 21.1%, we must achieve a diluted earnings-per-share growth of 10.9% in fiscal year 2009 to satisfy our two-year target under the program spanning fiscal years 2008 and 2009. The compensation committee has the right to grant discretionary awards if the targets are not met, but to date has not exercised this authority.

All executive officers (including the named executive officers) employed with the company on or before September 2007 were recommended to receive a target restricted stock award if we meet our annual average earnings-per-share goal over the July 1, 2007 through June 30, 2009 two-year performance period. If we meet this goal, we will issue shares of restricted stock to our named executive officers in September 2009. These shares will vest fully in March 2010. However, the program provides that if an executive officer (including any named executive officer) terminates his or her employment with the company prior to the March 2010 vesting date, such unvested restricted stock will be forfeited back to us.

Time-Based Restricted Stock

The compensation committee has the right to grant discretionary awards of time-based restricted stock to our executive officers (including the named executive officers). The compensation committee may make these discretionary grants to assist us in the recruitment, promotion or retention of executive officers. After being advised that the current value of Mr. Reidy s total outstanding equity in the company as a percentage of his base salary and annual bonus stood at 134%, the compensation committee determined that this percentage was too low and approved our chief executive officer s recommendation for a

special time-based restricted stock award to Mr. Reidy of 6,000 shares of our common stock. This award was designed to aid in the retention of our chief financial officer and will vest in two equal installments on April 30, 2012 and 2013. Our chief executive officer also considered whether to recommend Messrs. Martone and Benson for time-based restricted stock awards, but determined that the value of their unvested equity in the company through previous stock option grants and restricted stock awards provided an adequate level of retention incentive. Our chief executive officer determined not to recommend Mr. Stoeckert for time-based restricted stock award due to Mr. Stoeckert s then pending departure from the company. The compensation committee did not consider Mr. Butler for a grant because it deemed the value of his unvested equity in the company as providing an appropriate level of retention incentive.

Stock Options

The compensation committee approved stock option grants to each of our executive officers during fiscal year 2008 under our 2000 Stock Option Plan. We grant stock options to our named executive officers based upon their pay grades. The grant level for each grade is determined based on our annual review of our long-term incentive compensation program. Our chief executive officer recommends to the compensation committee the number of stock option grants for our executive officers other than the chief executive officer and the chief operating officer. The grant levels for our chief executive officer and chief operating officer are recommended by a group of our executives that does not include any named executive officers, and approved by the compensation committee. The grant levels approved by the compensation committee for fiscal year 2008 were consistent with the grant levels the compensation committee approved for fiscal year 2007. The compensation committee may make additional stock option grants to assist us in the recruitment, promotion or retention of executive officers. We do not reprice or cancel stock options if the price at which our common stock trades is below the stock options exercise prices. We do not back-date stock options.

The compensation committee typically determines and approves stock option grants for our chief executive officer and our chief operating officer in August as part of a review of their entire compensation packages. While the compensation committee can consider a stock option grant at any time for our executive officers (including the named executive officers), it makes most stock option grants at its January meeting. This date does not coincide with any regularly scheduled announcement or corporate event.

The options granted to our named executive officers vest during periods of up to six years after the date of the grant. This means that option holders nearing the normal retirement age of 65 will experience a decline in their overall annual compensation since a portion of their annual option grants will not vest prior to retirement. In order to mitigate the decline in the value of the option grants, the compensation committee may allow the unvested options of an executive officer who retires from active service upon reaching the age of 65 to vest on his or her date of retirement. An executive officer who turns 60 years of age within the calendar year of the option grant would typically begin to be considered for this acceleration feature. Upon the discretionary recommendation of our chief executive officer, the compensation committee decided at its January 2005, 2006, 2007 and 2008 meetings that options granted to Mr. Benson at such meetings will vest upon his retirement, provided he retires after reaching age 65. Mr. Benson is currently 63 years of age.

At its April 2008 meeting, our compensation committee determined that all future stock option grants should vest over four years. The compensation committee also determined that future retirees over age 55 with at least 10 years of service will continue to vest the stock options that were granted more than 12 months before their retirement date for 36 months after retirement and extended the exercise period for such vested options from 36 to 37 months after retirement. Options owned by holders who become permanently disabled or die after age 55 with at least 10 years of service can now be exercised within 36 months. The compensation committee made these changes by taking into account the advice of Frederic W. Cook & Co., Inc., which indicated that a four-year vesting period as well as the vesting and exercise enhancements were more consistent with the prevailing market practice among other public companies of our size. With respect to the post-retirement vesting, the newly adopted rules implement the compensations committee desire to have a uniform set of rules that would apply to all option holders, rather then making vesting decisions on a case-by-case basis.

Growth Incentive Program

In fiscal year 2006, the compensation committee approved the Growth Incentive Program, an aggressive long-term cash bonus program for select key executives, including all named executive officers other than Mr. Reidy, who was not our employee for the first 15 months of the performance period. This program terminated after the three-year performance period ended on June 30, 2008.

The programs primary goals were to encourage prudent risk-taking by our key executive officers, increase strategic acquisitions, and accelerate long-term revenue growth while delivering multi-year double-digit diluted earnings-per-share growth. Consequently, for our named executive officers with corporate-wide responsibilities, the compensation committee selected revenue and diluted earnings-per-share from continuing operations growth as the measurements of success. For our named executive officers operating within our business units, the compensation committee assigned revenue and net operating income as performance measures that were best suited to measure the success of the program at a divisional level. The three-year performance targets set by the compensation committee exceeded our internal strategic targets on both a company-wide and business-unit specific basis, assuring that only truly exceptional performance would be rewarded under the program.

The compensation committee assigned three-year average performance targets for the period of July 1, 2005 through June 30, 2008 as follows:

- Mr. Butler, overall revenue growth of 12% and diluted earnings-per-share growth from continuing operations of 22%;
- Mr. Martone, overall revenue growth of 12% and diluted earnings-per-share growth from continuing operations of 22% for the period April 1, 2007 through June 30, 2008 when Mr. Martone held a position of our Chief Operating Officer; and Employer Services domestic business revenue growth of 13% and net operating income growth of 16% for the period July 1, 2005 through March 31, 2007 when Mr. Martone held a position of Group President of our Employer Services business;
- Mr. Benson, overall revenue growth of 12% and diluted earnings-per-share growth from continuing operations of 22%; and
- Mr. Stoeckert, Employer Services international business revenue growth of 10.3% and net operating income growth of 16%.

The maximum potential payment under the Growth Incentive Program was 150% of the targeted amount, with a minimum payment of zero. Unless revenue growth exceeds 10%, the payment was capped at 50% of target. We set target payments for each of the named executive officers as a percentage of the base salary at the time we announced the program in 2005 and at levels that the compensation committee believed would encourage our executives to consistently outperform our internal financial targets. Once established, the targeted awards remained fixed for the duration of the three-year period. The target bonus levels under the Growth Incentive Program were as follows:

- Mr. Butler, $504,000 (70% of his then base salary);
- Mr. Martone, $322,200 (60% of his then base salary);
- Mr. Benson, $187,500 (50% of his then base salary); and
- Mr. Stoeckert, $190,000 (50% of his then base salary).

Results from this fiscal year 2006-2008 program for our named executive officers were as follows:

- overall revenue growth of 11.9% and diluted earnings-per-share growth from continuing operations of 23.3%;
- Employer Services domestic business revenue growth of 11.5% and net operating income growth of 13.2%; and
- Employer Services international business revenue growth of 7.8% and net operating income growth of 24.6%.

The compensation committee decided, upon recommendation of our chief executive officer, that revenue and diluted earnings-per-share gains experienced solely from changes in foreign currency exchange rates should not be included in the calculation of our overall revenue and diluted earnings-per-share growth since such gains do not reflect core business performance. The exclusion of these foreign currency exchange gains reduced our overall performance level and led to lower payments for Messrs. Butler, Martone, and Benson.

Since the Employer Services international business revenue growth results were below the threshold performance level of 9.8%, Mr. Stoeckert did not receive any Growth Incentive Program payments. The payments under the Growth Incentive Program for our other named executive officers were as follows:

- Mr. Butler, $554,405 (110% of his target);
- Mr. Martone, $147,700 (46% of his target); and
- Mr. Benson, $206,251 (110% of his target).

Accelerated Revenue Program

In fiscal year 2007, the compensation committee replaced the Growth Incentive Plan with the two-year performance-based Accelerated Revenue Program. The Accelerated Revenue Program was designed to encourage our key executive officers to achieve double-digit revenue growth by awarding them with shares of our restricted stock if we meet or exceed the average two-year revenue growth targets. At its August 2007 meeting, the compensation committee decided to terminate the Accelerated Revenue Program after the two-year performance period spanning the fiscal years 2007 and 2008 ended on June 30, 2008. The compensation committee determined that our two-year performance based restricted stock program provides sufficient financial reward when extraordinary financial results are achieved and that the continuation of the Accelerated Revenue Program was not warranted.

All of our named executive officers, except Mr. Butler, participated in the Accelerated Revenue Program. After initially including Mr. Butler, the compensation committee decided that he should not participate since, as our chief executive officer, he was directly involved in setting the program's performance targets. The compensation committee assigned two-year average revenue growth performance targets that were consistent with internal strategic operating plans for the period of July 1, 2006 through June 30, 2008, as follows:

- average two-year revenue growth of our entire company of 13.3%;
- average two-year revenue growth of our Employer Services international business of 10%.

In the case of Messrs. Martone, Reidy and Benson, the average two-year revenue growth of our entire company of 13.3% had to be met. In the case of Mr. Stoeckert, the average two-year revenue growth of our Employer Services international business of 10% was applicable. The initial target number of shares of restricted stock for each of Messrs. Martone, Benson and Stoeckert was equal to a percentage (60% for Mr. Martone and 50% for each of Messrs. Benson and Stoeckert) of such named executive officer's July 1, 2006 base salary, divided by $46.91 (the closing price of our common stock on September 22, 2006, the date the compensation committee approved the target grant). The initial target number of shares of restricted stock for Mr. Reidy was equal to 60% of his base salary as of October 2, 2006, the date he joined the company, divided by $46.91. The compensation committee subsequently adjusted these target numbers in April 2007 to maintain the value of the target award in light of the tax-free spin-off of our former Brokerage Services Group business. After such adjustment, the target awards were as follows:

- Mr. Martone, 7,840 shares of restricted stock;
- Mr. Reidy, 7,019 shares of restricted stock;
- Mr. Benson, 4,562 shares of restricted stock; and
- Mr. Stoeckert, 4,623 shares of restricted stock.

The compensation committee decided, upon recommendation of our chief executive officer, that revenue gains experienced solely from changes in foreign currency exchange rates should not be included in the calculation of our overall revenue growth since such gains do not reflect core business performance. We did not meet the average revenue growth targets for our named executive officers and none of our named executive officers received any awards of restricted stock under the Accelerated Revenue Program.

Other Long-Term Incentive Program Considerations

We consider the accounting and tax implications when we design our equity-based and cash compensation programs and when we make awards or grants. We design our programs to minimize accounting costs. The goal is to make only equity-based awards and grants that we can deduct when determining our taxes. However, the overriding consideration

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when evaluating the pay level or design component of any portion of our executives' compensation is the effectiveness of the component and the stockholder value that management and the compensation committee believe the pay component reinforces.

Both management and the compensation committee aim to maximize the tax deductibility of compensation payments to named executive officers. Our stockholders have approved our incentive plans that are designed and administered to provide performance-based compensation that is awarded to our named executive officers, and therefore not subject to the deduction limits of Section 162(m) of the Internal Revenue Code. The compensation committee may, however, award compensation that is not deductible under Section 162(m) when, in the exercise of the committee's judgment, such pay would be in the best interests of the company and its stockholders.

Separation Arrangement with Mr. Stoeckert

Mr. Stoeckert retired from the company on July 31, 2008. Taking into account the years of valuable service Mr. Stoeckert provided to the company, we agreed to provide separation benefits to him that consist in part of cash payments, credit under our Supplemental Officers Retirement Plan, continued vesting of equity awards and continued participation in our stock plans. The compensation committee also decided to grant Mr. Stoeckert a discretionary bonus of $200,000 to specifically reward his years of valuable service to the company and his performance as president of our Employer Services international business and an additional separation payment of $35,000. The arrangement for Mr. Stoeckert is consistent with the separation arrangements we sometimes provide to departing executives whose long-term service deserves special recognition over and above the fixed pay and benefits that have already been earned before the executive's departure.

Other Compensation Components and Considerations

In addition to the components discussed above, we offer our executive officers (including the named executive officers) retirement benefits, deferred compensation, perquisites, and change in control protection. The compensation committee believes these additional benefits are fair, competitive, consistent with our overall compensation philosophy, and designed to ensure that we can effectively retain our executive officers (including the named executive officers) as well as effectively compete for executive talent.

Retirement Benefits

All executive officers can participate in the Automatic Data Processing, Inc. Retirement and Savings Plan (our 401(k) plan) and are automatically enrolled in the Automatic Data Processing, Inc. Pension Retirement Plan (a tax-qualified defined benefit cash balance pension plan) and the Supplemental Officers Retirement Plan. The Supplemental Officers Retirement Plan provides retirement benefits to our executive officers (including the named executive officers) in excess of those generally available under our qualified cash balance pension plan. The Supplemental Officers Retirement Plan enables us to attract and retain senior and experienced mid to late-career executive talent necessary to achieve growth and provides these executive officers with a retirement benefit targeted to a competitive income replacement ratio at normal retirement age.

Deferred Compensation

All executive officers (including the named executive officers) may defer all or a portion of their annual bonuses into a deferred compensation account. We make this program available to our executive officers to be competitive, to facilitate the recruitment of new executives, and to provide our executive officers with a tax efficient way to save for retirement. Since the deferral accounts are made up of funds already earned by the executive officers, we do not consider the executive's deferred account balances, or investment earnings or losses on such balances, when we make compensation decisions.

Perquisites

Messrs. Butler and Martone receive fixed annual perquisite allowances of $125,000 that they allocate based on their personal needs.

We provide each of our named executive officers the use of automobiles leased by the company, the use of car services, and company-paid life insurance. Consistent with our policy towards all attendees, we pay for the spouses of our named executive officers to accompany them to our annual sales President's Club events. Finally, the ADP Foundation makes contributions that match the charitable gifts made by our executive officers (including the named executive officers) up to a maximum of $20,000 per calendar year.

Change in Control and Severance Arrangements

The Automatic Data Processing, Inc. Change in Control Severance Plan for Corporate Officers is designed *(i)* to retain our executive officers (including the named executive officers) and our staff vice presidents and *(ii)* to align their interests with our stockholders' interests so that they can consider transactions that are in the best interests of our stockholders and maintain their focus without concern regarding how any such transaction might personally affect them. In addition, Mr. Butler, Mr. Martone, and Mr. Reidy have special arrangements described below under Potential Payments Upon Termination or Change of Control.

Our named executive officers have different separation entitlements from one another. We have developed a practice in which our chief executive officer is entitled to severance equal approximately to three times base salary and bonus under some termination scenarios, while our other named executive officers are entitled to severance equal approximately to one and one-half or two times base salary and bonus. We have found that a higher severance multiple for our chief executive officer is needed in order to attract the individual we believe is best suited for the office. Our chief executive officer is the individual the public and our stockholders most closely identify as the face of the company. He has the greatest individual impact on our success, and he faces the greatest personal risks when the company takes risks.

We typically provide the same severance formula to an individual occupying an office that we have provided historically to the previous occupants of that office. The severance formulas we use for named executive officers are each designed to provide the level of replacement income we feel is appropriate for that office, but the compensation our named executive officers may receive after termination of employment or a change in control is not taken into account when current compensation levels are determined.

Compensation Recovery

We have not adopted an executive compensation recovery policy that would require us to seek reimbursement of compensation to a named executive officer if he or she engaged in misconduct that caused the need for restatement of our financial results. Our 2008 Omnibus Award Plan, however, gives the compensation committee the flexibility to grant cash and equity awards which may be recovered if a recipient engaged in misconduct that caused the need for restatement of our financial results.

Share Ownership Guidelines

The compensation committee established share ownership guidelines to encourage equity ownership among our executive officers (including the named executive officers) in order to reinforce the link between their financial interests and those of our stockholders. We set the share ownership guidelines on the basis of each executive officers pay grade, expressed as a multiple of the executive officers base salary on the first day of the fiscal year. Stock ownership (as defined under the guidelines) includes shares owned outright by the executive officer or beneficially through ownership by direct family member (spouse and/or dependent children), or shares owned through our 401(k) plan.

Under our share ownership guidelines, Mr. Butler and Mr. Martone are encouraged to own an amount of our stock equal in value to five times their respective base salaries, while Messrs. Reidy, Stoeckert and Benson are encouraged to own our stock in value equal to three times their respective base salaries. Until an executive officer achieves the ownership minimum, he or she is expected to retain 75% of all restricted stock that has vested and shares received from the exercise of stock options (in each instance, after all taxes have been paid).

The compensation committee determined that as of June 30, 2008, Messrs. Butler, Martone and Benson satisfy the share ownership guidelines. Mr. Reidy, who was hired in fiscal year 2007, did not satisfy the share ownership guidelines as of June 30, 2008. Since Mr. Stoeckert left the company on July 31, 2008, the compensation committee did not consider Mr. Stoeckerts compliance with the share ownership guidelines.

CEO Compensation Study Participant Companies

Advanced Micro Devices, Inc.	Ikon Office Solutions, Inc.
Affiliated Computer Services, Inc.	Jacobs Engineering Group, Inc.
Agilent Technologies, Inc.	Kellogg Co.
Air Products & Chemicals, Inc.	Keycorp
Allegheny Technologies, Inc.	Levi Strauss & Co.

Ameriprise Financial, Inc.
Applied Materials, Inc.
Arvinmeritor, Inc.
Ashland, Inc.
Autoliv, Inc.
AutoZone, Inc.
Avery Dennison Corporation
Avon Products, Inc.
Baker Hughes, Inc.
Ball Corp.
Barnes & Noble, Inc.
Baxter International, Inc.
BB&T Corp.
Beazer Homes USA, Inc.
Becton Dickinson & Co
Bed Bath & Beyond, Inc.
Big Lots, Inc.
BJ Services Co.
BJs Wholesale Club, Inc.
Black & Decker Corp.
BorgWarner, Inc.
Brinker International, Inc.
Campbell Soup Co.
Capital One Financial Corp.
CarMax, Inc.
Clorox Co.
Commercial Metals Co.
Constellation Brands, Inc.
Cooper Industries Ltd.
Darden Restaurants, Inc.
Dillards, Inc.
Dollar General Corp.
Dover Corp.
Energy Transfer Partners L.P.
Estee Lauder Companies, Inc.
Fifth Third Bancorp
Foot Locker, Inc.
Fortune Brands, Inc.
Frontier Oil Corp.
Genuine Parts Co.
Goodrich Corp.
Great Atlantic & Pacific Tea Co, Inc.
H&R Block, Inc.
H. J. Heinz Company
Harrahs Entertainment, Inc.
Hershey Co.
Hormel Foods Corp.
Hovnanian Enterprises, Inc.
Lexmark International, Inc.
Limited Brands, Inc.
McGraw-Hill Companies, Inc.
Mellon Financial Corp.
Micron Technology, Inc.
Monsanto Co.
Mosaic Co.
National City Corp.
NCR Corp.
Newmont Mining Corp.
Nordstrom, Inc.
NRG Energy, Inc.
NVR, Inc.
OfficeMax, Inc.
Oneok Partners LP
Owens & Minor, Inc.
Pantry, Inc.
Parker Hannifin Corp.
Pilgrims Pride Corp.
Praxair, Inc.
Regions Financial Corp.
Rinker Group Ltd
Rockwell Automation, Inc.
Ross Stores, Inc.
Ryland Group, Inc.
SAIC, Inc.
Saks, Inc.
Sanmina-SCI Corp.
Seagate Technology
Shaw Group, Inc.
Sherwin Williams Co.
Smith International, Inc.
Solectron Corp.
Sonic Automotive, Inc.
Starbucks Corp.
State Street Corp.
Stryker Corp.
SunTrust Banks, Inc.
Synnex Corp.
Teppco Partners LP
Toll Brothers, Inc.
V F Corp.
W.W. Grainger, Inc.
Western Digital Corp.
Whole Foods Market, Inc.
Winn Dixie Stores, Inc.
Wrigley Wm Jr Co.
Xl Capital Ltd

COMPENSATION COMMITTEE REPORT

The compensation committee has reviewed and discussed with management the foregoing Compensation Discussion and Analysis section of the company's 2008 proxy statement. Based on its review and discussions with management, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in the company's 2008 proxy statement.

Compensation Committee
of the Board of Directors

Gregory D. Brenneman, Chairman
Leslie A. Brun
R. Glenn Hubbard
John P. Jones
Frederic V. Malek

COMPENSATION OF EXECUTIVE OFFICERS

The following table summarizes the compensation of our named executive officers for fiscal year 2008.

Summary Compensation Table For Fiscal Year 2008

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards ($)(5) (e)	Option Awards ($)(6) (f)	Non-Equity Incentive Plan Compensation ($)(7) (g)	Change in Pension Value and Nonqualified Deferred Compen-sation Earnings ($)(8) (h)
Gary C. Butler	2008	$900,000	$ 0	$2,168,340	$2,631,808	$2,579,405	$1,095,792
President and Chief	2007	$850,005	$ 0	$2,240,346	$2,912,136	$2,330,000	$ 928,838
Executive Officer							
Christopher R. Reidy	2008	$510,000	$ 21,780(2)	$ 944,519	$ 283,461	$ 524,520	$ 99,853
Chief Financial	2007	$377,500	$ 0	$1,010,121	$ 199,098	$ 648,100	$ 58,981
Officer							
S. Michael Martone	2008	$750,000	$ 45,000(2)	$1,354,615	$ 595,832	$1,040,950	$ 707,431
Chief Operating	2007	$581,365	$ 0	$1,387,966	$ 464,794	$ 874,000	$ 580,566
Officer							
James B. Benson	2008	$450,063	$ 11,970(2)	$ 633,922	$ 246,606	$ 625,281	$ 400,203
General Counsel and	2007	$405,017	$ 150,000(3)	$ 685,953	$ 254,113	$ 488,200	$ 295,800
Secretary							
George I. Stoeckert(1)	2008	$409,034	$ 204,600(4)	$ 578,014	$ 654,557	$ 363,500	$ 281,358
President, Employer	2007	$398,660	$ 0	$ 638,092	$ 285,931	$ 461,400	$ 276,469
Services-International							

(1) Mr. Stoeckert ceased to be an executive officer on June 30, 2008 and retired from the company on July 31, 2008.

(2) The compensation committee elected to score each named executive officer at 150% of the target for the earnings-per-share growth target matrix, and not at the 120% as contemplated by the bonus target objectives applicable to Messrs. Reidy, Martone, Benson and Stoeckert. The amount paid over and above the 120% contemplated by the bonus target objectives is reported in this column.

(3) Discretionary bonus recognizing Mr. Benson's efforts related to the spin-off of our former Brokerage Services Group business completed on March 30, 2007.

(4) The amount reported in this column reflects *(i)* a discretionary bonus of $200,000 in recognition of Mr. Stoeckert's years of service and performance as President, Employer Services International and *(ii)* the amount paid with respect to the earnings-per-share growth target matrix that is over and above the 120% contemplated by the applicable bonus target objective.

(5) Amounts set forth in the Stock Awards column represent the dollar amount recognized for financial statement reporting purposes for fiscal years 2008 and 2007 as computed in accordance with SFAS 123R, disregarding estimates of forfeitures related to service-based vesting conditions. For additional information about the assumptions used in these calculations, see Note 13 to our audited consolidated financial statements for the fiscal year ended June 30, 2008 included in our annual report on Form 10-K for the fiscal year ended June 30, 2008, and Note 14 to our audited consolidated financial statements for the fiscal year ended June 30, 2007 included in our annual report on Form 10-K for the fiscal year ended June 30, 2007.

(6) Amounts set forth in the Option Awards column represent the dollar amount recognized for financial statement reporting purposes for fiscal years 2008 and 2007 as computed in accordance with SFAS 123R, disregarding estimates of forfeitures related to service-based vesting conditions. For additional information about the assumptions used in

these calculations, see Note 13 to our audited consolidated financial statements for the fiscal year ended June 30, 2008 included in our annual report on Form 10-K for the fiscal year ended June 30, 2008, and Note 14 to our audited consolidated financial statements for the fiscal year ended June 30, 2007 included in our annual report on Form 10-K for the fiscal year ended June 30, 2007.

(7) Performance-based bonuses, including payments under the Growth Incentive Program, are shown in this column. The 2008 payments under the annual cash bonus program and the Growth Incentive Program, respectively, were as follows: Mr. Butler, $2,025,000 and $554,405; Mr. Martone, $893,250 and $147,700; and Mr. Benson, $419,030 and $206,251. Mr. Reidy received an annual cash bonus of $524,520 and Mr. Stoeckert received an annual cash bonus of

$363,500. Mr. Reidy did not participate in the Growth Incentive Program. Mr. Stoeckert did not receive any payments under the Growth Incentive Program because the Employer Services international business revenue growth results were below the threshold performance level.

(8) Amounts shown reflect the aggregate increase during the last fiscal year in the present value of the executives benefit under our tax-qualified cash balance pension plan, the Automatic Data Processing, Inc. Pension Retirement Plan, and our non-qualified supplemental retirement plan, the Supplemental Officers Retirement Plan. The Pension Retirement Plan and the Supplemental Officers Retirement Plan provide benefits in the form of a lump sum and/or an annuity. We calculated a present value of the executives benefit using an interest crediting rate, a discount rate and a mortality assumption. We calculated the present value as of June 30, 2006 using the RP-2000 white collar mortality table, a 4.75% interest crediting rate for the pension plan, and a 6.25% discount rate; we calculated the present value as of June 30, 2007 using the RP-2000 white collar mortality rate (projected to 2007), a 4.75% interest crediting rate for the pension plan, and a 6.25% discount rate; and we calculated the present value as of June 30, 2008 using the RP-2000 white collar mortality rate (projected to 2008), a 4.50% interest crediting rate for the pension plan, and a 6.95% discount rate. The change in 2008 in the present value of the Pension Retirement Plan was negative $31,173 for Mr. Butler, negative $65,721 for Mr. Martone, and negative $73,360 for Mr. Stoeckert; we reflected $0 for these amounts.

(9) Please refer to the All Other Compensation table below for further information.

ALL OTHER COMPENSATION FOR FISCAL YEAR 2008

Name	**Other Benefits (1)**	**Tax Payments (2)**	**Perquisite Allowance (3)**	**Aircraft Use (4)**	**Matching Charitable Contributions (5)**
Gary C. Butler	$ 63,989	$17,639	$125,000	$0	$12,000
Christopher R. Reidy	$ 25,873	$ 500	$ 0	$0	$10,250
S. Michael Martone	$ 79,003	$43,390	$125,000	$0	$ 6,500
James B. Benson	$ 32,572	$ 0	$ 0	$0	$20,000
George I. Stoeckert	$ 105,205	$ 1,314	$ 0	$0	$20,000

(1) Other Benefits include:

a. Actual cost to the company of leasing automobiles (and covering related maintenance, registrations and insurance fees) used for personal travel: Mr. Butler, $10,460; Mr. Reidy, $8,020; Mr. Martone, $12,065; Mr. Benson, $12,065; and Mr. Stoeckert, $15,565.

b. Amount paid by the company on behalf of the executives spouses who accompanied such executives on business travel: Mr. Reidy, $1,969; Mr. Martone, $1,313; and Mr. Stoeckert, $3,457.

c. Relocation expense: Mr. Martone, $32,221.

d. Matching contributions to the company's 401(k) plan: $7,830 each for Messrs. Butler, Martone, Benson and Stoeckert, and $4,860 for Mr. Reidy.

e. Dividends paid on restricted stock included in the Stock Awards column of the Summary Compensation Table: Mr. Butler, $44,163; Mr. Reidy, $9,750; Mr. Martone, $24,038; Mr. Benson, $11,504; and Mr. Stoeckert, $10,784.

f. Life insurance and accidental death and dismemberment premiums paid by the company: Mr. Butler, $1,116; Mr. Reidy, $854; Mr. Martone, $1,116; Mr. Benson, $753; and Mr. Stoeckert, $685.

g. Allowance for annual physical examination: $420 for each named executive officer.

h. Amount paid for accrued and unused vacation: Mr. Stoeckert, $31,464.

i. Special separation payment: Mr. Stoeckert, $35,000.

(2) Tax Payments include:

a. Gross-up in respect of taxable travel benefits: $500 each for Messrs. Reidy and Martone, and $1,314 for Mr. Stoeckert.

b. Gross-up for relocation expense: Mr. Martone, $27,961.

c. Gross-up for taxable benefit of personal use of aircraft chartered by the company: Mr. Butler, $17,639; and Mr. Martone, $14,929.

(3) Pursuant to the provisions of his employment agreement, Mr. Butler has an annual perquisite allowance of $125,000. In October 2007, the compensation committee decided to discontinue a practice of reimbursing Mr. Martone for personal use of the company-chartered aircraft and replaced it with a $125,000 annual perquisite allowance and a $75,000 base salary increase.

(4) Mr. Butler used a significant portion of his perquisite allowance of $125,000 to fully reimburse the company for his personal use of aircraft chartered by the company and the incremental cost to the company of his personal use of aircraft owned by the company. Mr. Martone used his entire annual perquisite allowance to offset the incremental cost to the company of providing him with personal use of aircraft chartered by the company and reimbursed the company for the incremental cost to the company in excess of $125,000. Personal use of the aircraft benefit is valued at the actual incremental cost to the company of providing the benefit to the executive. With respect to the aircraft chartered by the company, the incremental cost is the contracted per-hour cost, including empty aircraft positioning costs, plus any fuel surcharges, additional catering or landing fees, taxes and segment fees. With respect to the aircraft owned by the company, the incremental cost is calculated by multiplying the personal flight time, including empty aircraft positioning time, by the aircraft's hourly variable operating cost. Variable operating cost includes

maintenance, fuel, cleaning, landing fees, flight fees, catering, and crew traveling expenses, including hotels, meals, and transportation. Since the aircraft owned by the company is primarily used for business travel, we do not include the fixed costs that do not change based on usage, such as crew salaries as well as hangar, insurance and management fees. Since Messrs. Butler and Martone have reimbursed the company for their personal use of the aircraft, there are no amounts shown in this column.

(5) Reflects matching charitable contributions made by the ADP Foundation in an amount not to exceed $20,000 in a calendar year in respect of any named executive officers charitable contributions for that calendar year.

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GRANTS OF PLAN-BASED AWARDS TABLE FOR FISCAL YEAR 2008

Name (a)	Grant Date (b)	Date of Corporate Action (bb)	Plan Under Which Grant Was Made	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards: Threshold $ (c)	Target $ (d)	Maximum $ (e)	Estimated Future Payouts Under Equity Incentive Plan Awards: Threshold # (f)	Target # (g)	Maximum # (h)	All Other Stock Awards: Number of Shares of Stock or Units # (i)
Gary C. Butler			Cash bonus	$0	$1,500,000	$3,000,000				
	9/21/2007	8/9/2007	2-Yr PBRS				0	35,000	43,750	
	8/9/2007	8/9/2007	2000 SOP							
Christopher R. Reidy			Cash bonus	$0	$ 408,000	$ 714,000				
	9/21/2007	8/9/2007	2-Yr PBRS				0	13,000	16,250	
	4/30/2008	4/30/2008	TBRS							