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Paylocity Holding Corp
Form DEF 14A
October 23, 2018

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

CHECK THE APPROPRIATE BOX:

Preliminary Proxy Statement
Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Under Rule 14a-12

Paylocity Holding Corporation

(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

PAYMENT OF FILING FEE (CHECK THE APPROPRIATE BOX):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
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- 1) Amount previously paid:
 - 2) Form, Schedule or Registration Statement No.:
 - 3) Filing Party:
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-

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LETTER TO STOCKHOLDERS

October 23, 2018

Dear Stockholder:

You are cordially invited to attend this year's annual meeting of stockholders of Paylocity Holding Corporation on December 7, 2018, at 8:30 a.m. Central Time. The meeting will be held at the Company's headquarters located at 1400 American Lane, Schaumburg, Illinois 60173.

We are pleased to take advantage of the U.S. Securities and Exchange Commission rule that allows companies to furnish proxy materials primarily over the Internet. On or about October 23, 2018, we mailed to our stockholders a Notice Regarding the Availability of Proxy Materials (the "Notice") containing instructions on how to access our proxy materials, including our Proxy Statement and Annual Report to Stockholders for the fiscal year ended June 30, 2018, over the Internet. The Notice also provides instructions on how to vote online or by telephone and includes instructions on how you can receive a paper copy of the proxy materials by mail. If you receive your annual meeting materials by mail, the Notice of Annual Meeting of Stockholders, Proxy Statement, 2018 Annual Report and proxy card will be enclosed. If you receive your proxy materials via e-mail, the e-mail will contain voting instructions and links to the Annual Report and Proxy Statement on the Internet, both of which are available at

www.proxyvote.com.

Details regarding admission to the Annual Meeting and the business to be conducted at the Annual Meeting are described in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement.

Whether or not you plan to attend the meeting, your vote is very important, and we encourage you to vote promptly. You may vote by either marking, signing and returning the enclosed proxy card or using telephone or internet voting. For specific instructions on voting, please refer to the instructions on your enclosed proxy card. If you attend the meeting, you will have the right to revoke the proxy and vote your shares in person. If you hold your shares through an account with a brokerage firm, bank or other nominee, please follow the instructions you receive from your brokerage firm, bank or other nominee to vote your shares.

We look forward to seeing you at the annual meeting.

Sincerely yours,

STEVEN R. BEAUCHAMP

Chief Executive Officer

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NOTICE OF 2019 ANNUAL MEETING OF STOCKHOLDERS

Date	Place	Record Date
Friday, December 7, 2018, at 8:30 a.m. Central Time	Paylocity Headquarters, 1400 American Lane, Schaumburg, Illinois 60173	You can vote if you were a stockholder of record at the close of business on October 9, 2018. Attendance at the meeting is limited to stockholders or their proxy holders and Company guests. Only stockholders or their valid proxy holders may address the meeting.

Purposes

PROPOSAL NO. 1

To elect two Class II directors to hold office for three-year terms or until their respective successors are elected and qualified, or their earlier death, resignation or removal.

FOR each director nominee

PROPOSAL NO. 2

To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2019.

FOR

PROPOSAL NO. 3

To vote on a non-binding basis to approve the compensation of our named executive officers.

FOR

PROPOSAL NO. 4

To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

FOR

Voting

IMPORTANT: Please vote your shares by submitting a proxy by Internet, by telephone, or by completing, signing, dating and returning the enclosed proxy card. The proxy card describes your voting options in more detail. If you attend the meeting, you may choose to vote in person even if you have previously voted your shares.

You may vote your shares by submitting a proxy by Internet, by telephone, or by completing, signing, dating and returning the enclosed proxy card or by voting in person at the Annual Meeting. The proxy card describes your voting options in more detail. If for any reason you desire to revoke your proxy, you can do so at any time before it is voted.

Mailing

On or about October 23, 2018, we mailed to our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our Proxy Statement and 2018 Annual Report to Stockholders and how to vote.

For ten days prior to the meeting, a complete list of stockholders entitled to vote at the meeting will be available for examination by any stockholder, for any purpose relating to the meeting, during ordinary business hours at our principal offices.

Attending the Meeting

The meeting will be held at the Company's headquarters located at 1400 American Lane, Schaumburg, Illinois 60173.

Doors open at 8:00 a.m. Central Time.

Meeting starts at 8:30 a.m. Central Time.

Proof of Paylocity Holding Corporation stock ownership and photo identification is required to attend the annual meeting.

The use of cameras and other recording devices is not allowed.

IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 7, 2018. A complete set of proxy materials relating to our annual meeting, consisting of the Notice of Annual Meeting, Proxy Statement, Proxy Card and Annual Report, is available on the Internet and may be viewed at

www.proxyvote.com.

Questions

For Questions Regarding:

Annual meeting

Stock ownership for registered holders

Stock ownership for beneficial holders

Voting for registered holders

Voting for beneficial holders

Contact:

Paylocity Investor Relations Investors@paylocity.com

Equiniti Shareowner Services (800) 468-9716 (within the U.S. and Canada) or 651-450-4064 (worldwide) or www.shareowneronline.com

Please contact your broker, bank or other nominee

Paylocity Investor Relations Investors@paylocity.com

Please contact your broker, bank or other nominee

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Paylocity Holding Corporation
1400 American Lane
Schaumburg, Illinois 60173

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD DECEMBER 7, 2018

The board of directors of Paylocity Holding Corporation is soliciting your proxy for the 2019 Annual Meeting of Stockholders to be held on December 7, 2018, or any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This Proxy Statement and related materials are first being made available to stockholders on or about October 23, 2018. References in this Proxy Statement to the “Company,” “we,” “our,” “us” and “Paylocity” are to Paylocity Holding Corporation and its consolidated subsidiaries, and references to the “annual meeting” are to the 2019 Annual Meeting of Stockholders. When we refer to the Company’s fiscal year, we mean the annual period ended on June 30, 2018. This proxy statement covers our 2018 fiscal year, which was from July 1, 2017 through June 30, 2018 (“fiscal 2018”).

SOLICITATION AND VOTING

Record Date

Only stockholders of record at the close of business on October 9, 2018 will be entitled to notice of and to vote at the meeting and any adjournment thereof. At the close of business on this record date, a total of 52,797,354 shares of our common stock were outstanding and entitled to vote. Each share of common stock has one vote.

Quorum

A majority of the shares of common stock issued and outstanding as of the record date must be represented at the meeting, either in person or by proxy, to constitute a quorum for the transaction of business at the meeting. Your shares will be counted towards the quorum if you submit a valid proxy (or one is submitted on your behalf by your broker or bank) or if you vote in person at the meeting. Abstentions and “broker non-votes” (shares held by a broker or nominee that does not have the authority, either express or discretionary, to vote on a particular matter) will each be counted as present for purposes of determining the presence of a quorum.

Vote Required to Adopt Proposals

Each share of our common stock outstanding on the record date is entitled to one vote on each of the two director nominees. Each share of our common stock outstanding on the record date is entitled to one vote on each other matter. For the election of the directors, the nominees to serve as Class II directors will be elected by a plurality of the votes cast by the stockholders entitled to vote at the election. You may vote “For” or “Withhold” with respect to the director

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SOLICITATION AND VOTING

nominees. Votes that are withheld will be excluded entirely from the vote with respect to the nominee from which they are withheld and will have no effect on the election of the directors. With respect to the other proposals, approval of the proposal requires the affirmative vote of a majority in voting power of the shares present in person or represented by proxy and entitled to vote on the matter. Because the vote on compensation of named executive officers is advisory, it will not be binding upon our board of directors.

Effect of Abstentions and Broker Non-Votes

Broker non-votes, if any, and shares voted **Withhold** will have no effect on the election of the directors. For each of the other proposals, broker non-votes, if any, will not be counted in determining the number of votes cast and will have no effect on the approval of these proposals, but abstentions will have the same effect as negative votes. Proposal No. 2 is a routine matter and no broker non-votes are expected to exist in connection with Proposal No. 2. If your shares are held in an account at a bank or brokerage firm, that bank or brokerage firm may vote your shares of common stock on Proposal No. 2 regarding ratification of our independent auditors, but will not be permitted to vote your shares of common stock with respect to Proposal Nos. 1 and 3, unless you provide instructions as to how your shares should be voted. If an executed proxy card is returned by a bank or broker holding shares, which indicates that the bank or broker has not received voting instructions and does not have discretionary authority to vote on the proposals, the shares will not be considered to have been voted in favor of the proposals. Your bank or broker will vote your shares on Proposal Nos. 1 and 3 only if you provide instructions on how to vote by following the instructions they provide to you. Accordingly, we encourage you to vote promptly, even if you plan to attend the annual meeting. In tabulating the voting results for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal.

Voting Instructions

If you complete and submit your proxy card or voting instructions, the persons named as proxies will follow your voting instructions. If no choice is indicated on a signed and dated proxy card, the shares will be voted as the board recommends on each proposal as follows: **FOR** the election of each of the nominees named herein and **FOR** the ratification of the appointment of our independent auditors. Many banks and brokerage firms have a process for their beneficial owners to provide instructions via telephone or the Internet. The voting instruction form that you receive from your bank or broker will contain instructions for voting.

Depending on how you hold your shares, you may vote in one of the following ways:

Stockholders of Record: You may vote by either marking, signing and returning the enclosed proxy card or via the instructions included in your Notice or using telephone or Internet voting. You may also vote in person at the annual meeting.

Beneficial Stockholders: Your bank, broker or other holder of record will provide you with a voting instruction form for you to use to instruct them on how to vote your shares. Check the instructions provided by your bank, broker or other holder of record to see which voting options are available to you. However, since you are not the stockholder of record, you may not vote your shares in person at the annual meeting unless you request and obtain a valid, legal proxy from your bank, broker or other agent.

Votes submitted by telephone or via the Internet must be received by 11:59 p.m. Eastern Time on December 6, 2018. Submitting your proxy by mail or telephone or via the Internet will not affect your right to vote in person should you decide to attend the annual meeting in person.

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SOLICITATION AND VOTING

If you are a stockholder of record, you may revoke your proxy and change your vote at any time before the polls close by returning a later-dated proxy card, by voting again by Internet or telephone as more fully detailed in your Notice or proxy card or by delivering written instructions to the Corporate Secretary before the annual meeting. Attendance at the annual meeting will not in and of itself cause your previously voted proxy to be revoked unless you specifically so request or vote again at the annual meeting. If your shares are held in an account at a bank, brokerage firm or other agent, you may change your vote by submitting new voting instructions to your bank, brokerage firm or other agent, or, if you have obtained a legal proxy from your bank, brokerage firm or other agent giving you the right to vote your shares, by attending the annual meeting and voting in person.

Solicitation of Proxies

We will bear the cost of soliciting proxies. In addition to soliciting stockholders by mail, we will request banks, brokers and other intermediaries holding shares of our common stock beneficially owned by others to obtain proxies from the beneficial owners and will reimburse them for their reasonable, out-of-pocket costs for forwarding proxy and solicitation material to the beneficial owners of common stock. We may use the services of our officers, directors and employees to solicit proxies, personally or by telephone, without additional compensation.

Voting Results

We will announce preliminary voting results at the annual meeting. We will report final results in a Form 8-K report filed with the SEC.

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We have a classified board of directors consisting of three Class I directors, two Class II directors and two Class III directors. At each annual meeting of stockholders, directors are elected for a term of three years to succeed those directors whose terms expire at the annual meeting date.

The term of the Class II directors, Virginia G. Breen and Ronald V. Waters III, will expire on the date of the 2019 annual meeting. Accordingly, two persons are to be elected to serve as Class II directors of the board of directors at the meeting. The board's nominees for election by the stockholders to those two positions are the two current Class II members of the board of directors: Virginia G. Breen and Ronald V. Waters III. If elected, the nominees will serve as directors until our 2022 annual meeting of stockholders and until their respective successors are elected and qualified, or their earlier death, resignation or removal. If any of the nominees declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election (although we know of no reason to anticipate that this will occur), the proxies may be voted for such substitute nominees as we may designate. The proxies cannot vote for more than two persons.

The two nominees for Class II director receiving the highest number of votes of shares of common stock will be elected as Class II directors. A "Withhold" vote will have no effect on the vote.

We believe that each of our directors has demonstrated business acumen, ethical integrity and an ability to exercise sound judgment as well as a commitment of service to us and our board of directors.

The Board of Directors unanimously recommends that you vote **"FOR"** the election of Virginia G. Breen and Ronald V. Waters III as Class II Directors. Proxies will be so voted unless stockholders specify otherwise in their proxies.

The names of our directors who will continue in office until the 2020 and 2021 annual meetings of stockholders, as well as the nominees for Class II directors to be elected at this meeting, and certain information about them as of October 23, 2018 is set forth below. Also set forth below are the specific experience, qualifications, attributes or skills that led our nominating and corporate governance committee to conclude that each person should serve as a director.

Name	Position	Age	Director Since
Class I Directors Whose Terms Expire at the 2021 Annual Meeting of Stockholders			
Steven I. Sarowitz	Chairman	52	1997
Ellen Carnahan	Director	63	2016
Jeffrey T. Diehl	Director	48	2008
Class II Directors Nominated for Election at the 2019 Annual Meeting of Stockholders			
Virginia G. Breen	Director	54	2018
Ronald V. Waters III	Director	66	2013
Class III Directors Whose Terms Expire at the 2020 Annual Meeting of Stockholders			
Steven R. Beauchamp	Chief Executive Officer and Director	46	2007
Andres D. Reiner	Director	47	2014

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PROPOSAL NO. 1 ELECTION OF DIRECTORS

Nominees for Election to a Three-Year Term Expiring at the 2022 Annual Meeting of Stockholders

VIRGINIA G. BREEN

INDEPENDENT

Age: **54**

Director Since: **2018**

Committees: **None**

Other Current Public Company Boards:

Jones Lang LaSalle Income Property Trust

Biography

Virginia G. Breen has served as a director since September 2018. Ms. Breen has been an institutional investor and board member in private and public equity for more than 30 years. She has served as a trustee of Jones Lang LaSalle Income Property Trust, a public, non-traded, daily-priced REIT since 2004. Since April 2017, Ms. Breen has served as a director of NB Crossroads Private Markets Fund V Holdings LLC and since November 2015, she has served as a director of NB Crossroads Private Markets Fund IV Holdings LLC. Since July 2015, Ms. Breen has served as a director of Excelsior Private Markets Fund II, LLC and Excelsior Private Markets Fund III, LLC. Ms. Breen has also served as a director of UST Global Private Markets Fund, LLC since its inception in July 2008. Ms. Breen previously served as a director of Excelsior Buyout Investors, LLC since its inception in May 2003 until its sale in December 2013. Since 2008, Ms. Breen has served on the board of managers of the UBS A&Q Fund Complex, consisting of five portfolios, each of which is or was registered under the Investment Company Act of 1940, as amended. Since 2015, Ms. Breen has served as a trustee for the Calamos Fund Complex consisting of 23 portfolios. From 2001 through December 2013, Ms. Breen served as a director of ModusLink Global Solutions, Inc., a public company listed on the Nasdaq Global Select Market. Ms. Breen holds an M.B.A. from Columbia University and an A.B. in Computer Science from Harvard College.

RONALD V. WATERS III

LEAD INDEPENDENT

Age: **66**

Director Since: **2013**

Committees: **Audit (Chair), Compensation & Nominating and Corporate Governance**

Other Current Public Company Boards:

**Fortune Brands Home & Security, Inc.
HNI Corporation**

Biography

Ronald V. Waters III has served as a director since November 2013 and also serves as the Lead Independent Director. Mr. Waters has been an independent business consultant since May 2010. From 2009 to May 2010, he was a Director and the President and Chief Executive Officer of LoJack Corporation ("LoJack"), a worldwide marketer of wireless tracking and recovery systems for valuable mobile assets, and from 2007 to 2008, he was a Director and the President and Chief Operating Officer of LoJack. He is a director of Fortune Brands Home & Security, Inc., a home and security products company, and HNI Corp., a manufacturer of office furniture and a manufacturer and marketer of gas- and wood-burning fireplaces. From 2012 to 2015, Mr. Waters served as a director of Chiquita Brands International, Inc., an international marketer and distributor of food products. From 2006 to 2007, Mr. Waters served as a director of Sabre Holdings Corporation. Mr. Waters brings to our board of directors leadership experience through his former role as Chief Executive Officer of LoJack and significant finance expertise derived primarily from his current service on the audit committee of another public company and previous roles as a director and Chief Operating Officer at a public company, Chief Financial Officer at Wm. Wrigley Jr. Company, Controller at The Gillette Company and partner at KPMG LLP. Mr. Waters also brings to our board of directors international, legal and information technology expertise derived primarily from his service in various roles at several large public companies.

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PROPOSAL NO. 1 ELECTION OF DIRECTORS

Directors Continuing in Office until the 2020 Annual Meeting of Stockholders

STEVEN R. BEAUCHAMP

CHIEF EXECUTIVE OFFICER AND DIRECTOR

Age: **46**

Director Since: **2007**

Committees: **None**

Biography

Steven R. Beauchamp is our Chief Executive Officer and a director. Prior to joining Paylocity in 2007, Mr. Beauchamp was employed by Paychex, Inc., from September 2002 to August 2007 and served as VP of Product Management and as a Corporate Officer. Mr. Beauchamp also served as Vice President of Payroll Operations for Advantage Payroll Services, Inc. from August 2001 to September 2002 after Advantage Payroll acquired Payroll Central where he served as President from May 1999 to August 2001. Mr. Beauchamp also spent three years in operations management with ADP Canada from May 1995 to April 1998. Mr. Beauchamp holds a B.B.A. from Wilfrid Laurier University and an M.B.A. from Queen's University. Mr. Beauchamp brings to our board of directors over 15 years of experience in management positions in payroll services companies, and his experience and familiarity with our business as our Chief Executive Officer.

ANDRES D. REINER

INDEPENDENT

Age: **47**

Director Since: **2014**

Committees: **Compensation & Nominating and Corporate Governance**

Other Current Public Company Boards:
PROS Holdings, Inc.

Biography

Andres D. Reiner has served as a director since September 2014. Since 2010, Mr. Reiner has served as the President and Chief Executive Officer and a director of PROS Holdings, Inc. ("PROS"), an enterprise software company. Since 1999, and prior to his appointment as President and Chief Executive Officer, Mr. Reiner held a series of positions with PROS, including Senior Vice President of Product Development and Executive Vice President of Product and Marketing. Prior to joining PROS, Mr. Reiner held various technical and management positions in technology companies including Platinum Technology, ADAC Healthcare Information Systems, and Kinesix. Mr. Reiner holds a B.S. in Computer Science with a minor in Mathematics from the University of Houston. Mr. Reiner brings to our board of directors leadership experience through his role as President and Chief Executive Officer of PROS, as well as knowledge and experience with product development and innovation at technology companies.

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PROPOSAL NO. 1 ELECTION OF DIRECTORS

Directors Continuing in Office until the 2021 Annual Meeting of Stockholders

STEVEN I. SAROWITZ

CHAIRMAN OF THE BOARD

Age: **52**

Director Since: **1997**

Committees: **None**

Biography

Steven I. Sarowitz founded Paylocity in 1997 and is our Chairman. Mr. Sarowitz is currently the Chief Executive Officer of Blue Marble Payroll, an international payroll aggregator. Prior to founding Paylocity, Mr. Sarowitz worked at Robert F. White, a Chicago-based independent payroll service firm. He later was an executive at three privately-held payroll companies. Mr. Sarowitz formerly served as President of the Independent Payroll Providers Association. Mr. Sarowitz holds a B.A. in Economics from the University of Illinois at Urbana. Mr. Sarowitz brings to our board of directors extensive executive leadership and operational experience in payroll services companies, and his experience and familiarity with our business as the founder and Chairman.

ELLEN CARNAHAN

INDEPENDENT

Age: **63**

Director Since: **2016**

Committees: **Audit, Compensation (Chair) &
Nominating and Corporate Governance**

Other Current Public Company Boards:
Enova International, Inc.

Biography

Ellen Carnahan has served as a director since November 2016. Ms. Carnahan is currently Principal of Machrie Enterprises, where she has served since 2008 as an investor in private companies and venture funds and director of public and venture-backed private technology companies. She previously spent more than 18 years at William Blair Capital Management, where she served as Managing Director and Head of Technology Investing. From 1983 to 1987, Ms. Carnahan served as Vice President of Marketing and Planning at SPSS, Inc., an analytics software vendor now part of IBM Corporation. Ms. Carnahan has served on the boards of directors for numerous public companies, including since 2015 as a director of Enova International, Inc., a technology and analytics company focused on providing online financial services, and from 2003 to 2015 as a director for Integrys Energy Group, Inc., an energy holding company whose operating subsidiaries provided natural gas and electricity in regulated and non-regulated markets. Ms. Carnahan also serves as a trustee of The JNL Funds, a registered investment fund, and served on its audit committee from 2013 to 2017. Ms. Carnahan is an active member of Chicago's corporate and entrepreneurship community. In 2010, she was appointed to the Illinois Governor's Economic Recovery Commission, and in 2010 and 2015, she was named one of the Techweek100 Top Technology Leaders in Chicago. Ms. Carnahan holds an M.B.A. from the Booth School at the University of Chicago and a B.B.A. from the University of Notre Dame.

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PROPOSAL NO. 1 ELECTION OF DIRECTORS

JEFFREY T. DIEHL

INDEPENDENT

Age: **48**

Director Since: **2008**

Committees: **Audit & Nominating and Corporate
Governance (Chair)**

Other Current Public Company Boards:
Q2 Holdings, Inc.

Biography

Jeffrey T. Diehl has served as a director since May 2008. Mr. Diehl is currently the Managing Partner & Head of Investments at Adams Street Partners, LLC, a global private equity investment management firm. Prior to joining Adams Street Partners in 2000, Mr. Diehl worked at Brinson Partners/UBS Global Asset Management and The Parthenon Group. Mr. Diehl serves as a director of various private companies and a public company, Q2 Holdings, Inc., a virtual banking solutions company. Mr. Diehl holds a B.S. from Cornell University and an M.B.A. from Harvard University. Mr. Diehl brings to our board of directors years of experience as an advisor to a wide range of technology companies, including companies in the software, IT-enabled business services and consumer Internet/media sectors. Mr. Diehl's experience with the growth and development of technology companies provides our board of directors with a unique perspective on our long-term strategy.

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CORPORATE GOVERNANCE

Director Independence

Our board of directors has determined that each of Ms. Breen, Ms. Carnahan and Messrs. Diehl, Reiner and Waters is an “independent director” for purposes of the Nasdaq Listing Rules and Rule 10A-3(b)(1) under the Exchange Act as the term relates to membership on the board of directors.

The definition of independence under the rules of the Nasdaq Global Select Market (the “Nasdaq Listing Rules”) includes a series of objective tests, such as that the director is not, and has not been for at least three years, one of our employees and that neither the director, nor any of his or her family members, has engaged in various types of business dealings with us. In addition, as further required by the Nasdaq Listing Rules, our board has made a subjective determination as to each independent director that no material relationships exist that, in the opinion of our board, would interfere with his or her exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, our board reviewed and discussed information provided by the directors in questionnaires with questions tailored to the Nasdaq Listing Rules with regard to each director’s business and personal activities as they may relate to us and our management.

Board of Directors Leadership Structure

The board of directors has adopted corporate governance guidelines to promote the functioning of the board and its committees. These guidelines address board composition, board functions and responsibilities, qualifications, leadership structure, committees and meetings.

Our Corporate Governance Guidelines do not contain a policy mandating the separation of the offices of the Chairman of the Board and the Chief Executive Officer, and the board is given the flexibility to select its Chairman and our Chief Executive Officer in the manner that it believes is in the best interests of our stockholders. Accordingly, the Chairman and the Chief Executive Officer may be filled by one individual or two. The board has chosen to separate the positions of Chairman of the Board and Chief Executive Officer. We believe this structure is optimal for us because it avoids any duplication of effort between the Chairman and the Chief Executive Officer and permits our Chief Executive Officer to focus his efforts on the day-to-day management of the Company. This separation provides strong leadership for the board and the Company through the Chairman, while also positioning our Chief Executive Officer as our leader in the eyes of our employees and other stakeholders. The board may reconsider the best board leadership structure for us from time to time.

Risk Management

Our risk management function is overseen by our board of directors. Through our management reports and company policies, such as our Corporate Governance Guidelines, our Code of Business Conduct and Ethics and our audit committee’s and compensation committee’s review of financial and other risks, we keep our board of directors apprised of material risks and provide our directors access to all information necessary for them to understand and evaluate how these risks interrelate, how they affect us and how our management addresses those risks. Mr. Beauchamp, as our Chief Executive Officer, works with our independent directors and with management when material risks are identified by the board of directors or management to address such risk. If the identified risk poses an actual or potential conflict with management, our independent directors would conduct an assessment by themselves.

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CORPORATE GOVERNANCE

Executive Sessions and Lead Independent Director

Non-management directors generally meet in executive session each time the board of directors holds a regularly scheduled meeting. The board's policy is to hold executive sessions without the presence of management as a part of all regular board meetings, and, in any event, at least twice during each calendar year. The Company's Corporate Governance Guidelines provide that a non-management independent director shall be chosen to preside at each executive session.

The board of directors has elected a non-management director to serve in a lead capacity ("Lead Independent Director") to coordinate the activities of the other non-management directors, and to perform any other duties and responsibilities that the board of directors may determine. While the board annually elects a Lead Independent Director, it is generally expected that he or she will serve for more than one year. Our current Lead Independent Director is Ronald V. Waters III.

The role of the Lead Independent Director includes:

- presiding at non-management executive sessions, with the authority to call meetings of the independent directors;
- presiding at executive sessions;
- functioning as principal liaison on board-wide issues between the independent directors and the Chairman; and
- if requested by shareholders, ensuring that he/she is available, when appropriate, for consultation and direct communication.

Meetings of the Board of Directors and Committees

The board of directors held four meetings during the fiscal year ended June 30, 2018. The board of directors has three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee. During the last fiscal year, each of our directors attended at least 75% of the total number of meetings of the board and all of the committees of the board on which such director served during that period.

The following table sets forth the standing committees of the board of directors, the members of each committee and the Lead Independent Director as of the date that this Proxy Statement was first made available to our stockholders:

Name of Director	Audit	Compensation	Nominating and Corporate Governance	Lead Independent Director
Steven R. Beauchamp				
Virginia G. Breen				
Ellen Carnahan		Chair		
Jeffrey T. Diehl			Chair	
Andres D. Reiner				
Steven I. Sarowitz				
Ronald V. Waters III	Chair			

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CORPORATE GOVERNANCE

Audit Committee

Members

Ronald V. Waters III (Chair)

Ellen Carnahan

Jeffrey T. Diehl

Independent

Meetings during the fiscal year ended June 30, 2018: 7

Report of the Audit Committee: [Page 25](#)

Committee Independence and Expertise

Our board of directors has determined that each of Messrs. Diehl and Waters and Ms. Carnahan is independent for purposes of the Nasdaq Listing Rules and SEC rules and regulations as they apply to audit committee members. Our board of directors has determined that each of Messrs. Diehl and Waters and Ms. Carnahan meet the requirements for financial literacy and sophistication, and that Mr. Waters qualifies as an “audit committee financial expert,” under the applicable requirements of the Nasdaq Listing Rules and SEC rules and regulations. The composition of our audit committee complies with all applicable requirements in the Nasdaq Listing Rules and SEC rules and regulations.

Principal Responsibilities

The functions of the audit committee include:

- selecting a firm to serve as the independent registered public accounting firm to audit our financial statements;
- ensuring the independence of the independent registered public accounting firm;
- discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and that firm, our interim and year-end operating results;
- establishing procedures for employees to submit anonymously concerns about questionable accounting or audit matters;
- considering the adequacy of our internal controls;
- reviewing material related party transactions or those that require disclosure; and
- approving or, as permitted, pre-approving all audit and non-audit services to be performed by the independent registered public accounting firm.

The audit committee’s specific responsibilities are set forth in its charter, which the audit committee reviews at least annually. The audit committee has the responsibility and authority to oversee the accounting and financial reporting processes of the Company, the integrity of the financial reports and other financial information and the audits of the Company’s financial statements. The audit committee also reviews the qualifications, independence and performance, and approves the terms of engagement of the Company’s independent auditor. The audit committee also reviews the performance of the Company’s internal audit function and prepares any reports required of the audit committee under SEC rules and regulations.

The audit committee held seven meetings during the fiscal year ended June 30, 2018. Additional information regarding the audit committee is set forth in the Report of the Audit Committee immediately following Proposal No. 2.

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CORPORATE GOVERNANCE

Compensation Committee

Members

Ellen Carnahan (Chair)

Andres D. Reiner

Ronald V. Waters III

Independent

Meetings during the fiscal year ended June 30, 2018: 6

Report of the Compensation Committee: [Page 38](#)

Committee Independence

Our board of directors has determined that each member of the compensation committee is independent for purposes of the Nasdaq Listing Rules, is a non-employee director, as defined by Rule 16b-3 promulgated under the Exchange Act, and is an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code, as amended.

Principal Responsibilities

The functions of the compensation committee include:

- reviewing and approving, or recommending that our board of directors approve, the compensation of our executive officers;
- reviewing and recommending to our board of directors the compensation of our directors;
- reviewing and recommending to our board of directors the terms of any compensatory agreements with our executive officers;
- administering our stock and equity incentive plans;
- reviewing and approving, or making recommendations to our board of directors with respect to, incentive compensation and equity plans; and
- reviewing our overall compensation philosophy.

The compensation committee and board of directors believe that attracting, retaining and motivating our employees, and particularly the company's senior management team and key operating personnel, are essential to Paylocity's performance and enhancing shareholder value. The compensation committee will continue to administer and develop our compensation programs in a manner designed to achieve these objectives.

The compensation committee's specific responsibilities are set forth in its charter, which the compensation committee reviews at least annually. The compensation committee reviews and recommends policies relating to compensation and benefits of our officers and employees. The compensation committee reviews and approves corporate goals and objectives relevant to compensation of our Chief Executive Officer and other executive officers, evaluates the performance of these officers in light of those goals and objectives, and recommends the compensation of these officers based on such evaluations. The compensation committee also administers the issuance of stock options and other awards under our equity compensation plans.

Independent Consultant

The compensation committee engages Compensia, Inc. ("Compensia") to provide independent compensation consulting support. Compensia has provided market information on compensation trends and practices and makes compensation recommendations based on competitive data of a peer group of companies. Compensia is also available to perform special projects at the compensation committee's request. Compensia provides analyses and recommendations that inform the compensation committee's decisions, but does not decide or approve any compensation actions. As needed, the compensation committee also consults with Compensia on other compensation-related matters, which for fiscal 2018 included a review of total cash and all stock-based compensation for Paylocity's executives and board of directors. Compensia also provided guidance on executive and board of director stock ownership guidelines. The engagement of any compensation consultant rests exclusively with the compensation committee, which has sole authority to retain and terminate any compensation consultant or other advisor that it uses.

The compensation committee has assessed the independence of Compensia and concluded that no conflicts of interest exist that would prevent Compensia from providing independent and objective advice to the compensation committee.

The compensation committee held six meetings during the fiscal year ended June 30, 2018.

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CORPORATE GOVERNANCE

Nominating and Corporate Governance Committee

Members

Independent

Jeffrey T. Diehl (Chair)

Ellen Carnahan

Andres D. Reiner

Ronald V. Waters III

Meetings during the fiscal year ended June 30, 2018: 4

Committee Independence

Our board of directors has determined that each member of the nominating and corporate governance committee is independent for purposes of the Nasdaq Listing Rules and under applicable SEC rules and regulations.

Principal Responsibilities

The functions of the nominating and corporate governance committee include:

- identifying and recommending candidates for membership on our board of directors;
- reviewing and recommending our corporate governance guidelines and policies;
- reviewing proposed waivers of the code of conduct for directors and executive officers;
- overseeing the process of evaluating the performance of our board of directors; and
- assisting our board of directors on corporate governance matters.

The nominating and corporate governance committee's specific responsibilities are set forth in its charter, which the nominating and corporate governance committee reviews at least annually. The nominating and corporate governance committee has the responsibility and authority to identify, select or recommend candidates for membership on the board of directors, consider committee member qualifications, appointment and removal, recommend corporate governance principles and oversee the evaluation of the board of directors and each committee.

The nominating and corporate governance committee held four meetings during the fiscal year ended June 30, 2018.

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CORPORATE GOVERNANCE

Director Nominations

Our nominating and corporate governance committee is responsible for, among other things, assisting our board of directors in identifying qualified director nominees and recommending nominees for each annual meeting of stockholders. The nominating and corporate governance committee's goal is to assemble a board that brings to our company a diversity of experience in areas that are relevant to our business and that complies with the Nasdaq Listing Rules and applicable SEC rules and regulations. While we do not have a formal diversity policy for board membership, the nominating and corporate governance committee generally considers the diversity of nominees in terms of knowledge, experience, background, skills, expertise and other demographic factors. When considering nominees for election as directors, the nominating and corporate governance committee reviews the needs of the board for various skills, background, experience and expected contributions and the qualification standards established from time to time by the nominating and corporate governance committee. The nominating and corporate governance committee believes that directors must also have an inquisitive and objective outlook and mature judgment. Director candidates must have sufficient time available in the judgment of the nominating and corporate governance committee to perform all board and committee responsibilities. Members of the board of directors are expected to rigorously prepare for, attend and participate in all meetings of the board and applicable committee meetings.

Other than the foregoing and the applicable rules regarding director qualification, there are no stated minimum criteria for director nominees. Under the Nasdaq Listing Rules, at least a majority of the members of the board must meet the definition of "independence" and at least one director must be a "financial expert" under the Exchange Act and the Nasdaq Listing Rules and applicable SEC rules and regulations. The nominating and corporate governance committee also believes it appropriate for our Chief Executive Officer to participate as a member of the board of directors.

The nominating and corporate governance committee evaluates annually the current members of the board whose terms are expiring and who are willing to continue in service against the criteria set forth above in determining whether to recommend these directors for election. The nominating and corporate governance committee will assess regularly the optimum size of the board and its committees and the needs of the board for various skills, background and business experience in determining if the board requires additional candidates for nomination.

Candidates for director nominations come to our attention from time to time through incumbent directors, management, stockholders or third parties. These candidates may be considered at meetings of the nominating and corporate governance committee at any point during the year. Such candidates are to be evaluated against the criteria set forth above. If the nominating and corporate governance committee believes at any time that it is desirable that the board consider additional candidates for nomination, the committee may poll directors and management for suggestions or conduct research to identify possible candidates and may engage, if the nominating and corporate governance committee believes it is appropriate, a third-party search firm to assist in identifying qualified candidates.

Our bylaws permit stockholders to nominate directors for consideration at an annual meeting. The nominating and corporate governance committee will consider director candidates validly recommended by stockholders. For more information regarding the requirements for stockholders to validly submit a nomination for director, see *"Stockholder Proposals or Nominations to Be Presented at Next Annual Meeting"* elsewhere in this Proxy Statement.

Compensation of Directors

In September 2014, we implemented a director compensation package, pursuant to which our directors are eligible to receive equity awards and cash retainers as compensation for service on our board of directors and committees of our board of directors. Under our director compensation package, our directors are entitled to receive a \$30,000 annual retainer fee. The audit committee chairperson receives an annual fee of \$20,000, and members of the audit committee receive an annual fee of \$10,000. The compensation committee chairperson receives an annual fee of \$15,000, and members of the compensation committee receive an annual fee of \$7,500. The nominating and corporate governance committee chairperson receives an annual fee of \$10,000, and the members of the nominating and corporate governance committee receive an annual fee of \$5,000. The Lead Independent Director receives an annual fee of \$16,500.

Table of Contents**CORPORATE GOVERNANCE**

We also grant members of our board of directors stock awards in addition to the cash compensation described above. In August 2018, the compensation committee of our board of directors approved a restricted stock unit grant entitling each director to receive that number of shares of our common stock equal to \$165,000 divided by the then 30 trading day average closing price of our common stock. These grants vest 25% quarterly, such that the grant vests in full on the first anniversary of the grant, provided that the director continues to serve as a director through such vesting date. In August 2018, our board of directors affirmed that the director's cash and equity compensation package for fiscal 2019 would remain unchanged from the compensation package for fiscal 2018.

The following table sets forth information concerning the compensation earned during the last fiscal year by each director who received such compensation. Our Chief Executive Officer did not receive additional compensation for his service as a director and, consequently, no additional compensation is included in the table. The compensation received by our Chief Executive Officer as an employee is presented under *"Compensation of Named Executive Officers—Summary Compensation Table."*

Name	Fees Earned or Paid in Cash (\$)		Stock Awards \$(⁽¹⁾)	Total (\$)
Steven R. Beauchamp	\$	—	\$	—
Virginia G. Breen ⁽²⁾	\$	—	\$	—
Ellen Carnahan	\$	46,746	(3)	\$ 166,884 ⁽⁹⁾
Jeffrey T. Diehl	\$	50,000	(4)	\$ 166,884 ⁽⁹⁾
Mark H. Mishler	\$	34,110	(5)	\$ 41,710 ⁽¹⁰⁾
Andres D. Reiner	\$	42,500	(6)	\$ 166,884 ⁽⁹⁾
Steven I. Sarowitz	\$	30,000	(7)	\$ 166,884 ⁽⁹⁾
Ronald V. Waters III	\$	75,887	(8)	\$ 166,884 ⁽⁹⁾

Amounts represent the aggregate grant date fair value of restricted stock units granted during the year computed in accordance with ASC Topic 718. Assumptions used in calculating the amounts reported in this column are set forth in Note 13 *"Benefit Plans"* of the audited consolidated

(1) financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2018. Note that the amounts reported in this column reflect the accounting cost for these awards and do not correspond to the actual economic value that our directors may receive from the awards.

(2) Ms. Breen was appointed to the board of directors on September 14, 2018 and did not receive any compensation during fiscal 2018.

Consists of \$30,000 annual retainer fee for service on the board of directors, \$10,000 annual fee for service on the audit committee, prorated for the number of days served during fiscal 2018, \$5,000 annual fee for service on the nominating and corporate governance committee, prorated

(3) for the number of days served during fiscal 2018 and \$15,000 annual fee for service as the chairwoman of the compensation committee, prorated for the number of days served during fiscal 2018. Ms. Carnahan was appointed to the audit committee and nominating and corporate governance committee on October 19, 2017. Ms. Carnahan was appointed to the compensation committee on January 26, 2018.

(4) Consists of \$30,000 annual retainer fee for service on the board of directors, \$10,000 annual fee for service on the audit committee and \$10,000 annual fee for service as the chairman of the nominating and corporate governance committee.

Consists of \$30,000 annual retainer fee for service on the board of directors, \$10,000 annual fee for service on the audit committee, \$15,000

(5) annual fee for services as the chairman of the compensation committee and \$5,000 annual fee for service on the nominating and corporate governance committee. As Mr. Mishler resigned from the board of directors on January 25, 2018, all fees for service have been prorated for the number of days served during fiscal 2018.

(6) Consists of \$30,000 annual retainer fee for service on the board of directors, \$7,500 annual fee for service on the compensation committee and \$5,000 annual fee for service on the nominating and corporate governance committee.

(7) Consists of \$30,000 annual retainer fee for service on the board of directors.

Consists of \$30,000 annual retainer fee for service on the board of directors, \$16,500 annual fee for service as Lead Independent Director,

(8) \$20,000 annual fee for service as the chairman of audit committee, \$7,500 annual fee for service on the compensation committee and \$5,000 annual fee for service on the nominating and corporate governance committee, prorated for the number of days served during fiscal 2018. Mr. Waters was appointed to the nominating and corporate governance committee on January 26, 2018.

(9) Consists of 3,613 restricted stock units, of which 904 restricted stock units had not yet vested as of June 30, 2018. The unvested restricted stock units vested subsequent to June 30, 2018.

(10) Consists of 903 restricted stock units, which were vested as of June 30, 2018. Mr. Mishler forfeited 2,710 of unvested restricted stock units upon his resignation from the board of directors on January 25, 2018.

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CORPORATE GOVERNANCE

Communications with Directors

Stockholders and other interested parties may communicate with the board of directors by mail addressed as follows:

Board of Directors of Paylocity Holding Corporation
c/o Corporate Secretary
1400 American Lane
Schaumburg, Illinois 60173

Please indicate on the envelope that the correspondence contains a stockholder communication. All directors have access to this correspondence. In accordance with instructions from the board, the Corporate Secretary logs and reviews all correspondence and transmits such communications to the full board or individual directors, as appropriate. Certain communications, such as business solicitations, job inquiries, junk mail, patently offensive material or communications that present security concerns may not be transmitted, as determined by the Corporate Secretary.

Director Attendance at Annual Meetings

We attempt to schedule our annual meeting of stockholders at a time and date to accommodate attendance by our board of directors taking into account the directors' schedules. All directors are encouraged to attend our annual meeting of stockholders. The board of directors, however, does not have a policy requiring director attendance at our annual meetings of stockholders. Four of the directors attended our Annual Meeting of Stockholders in fiscal 2018.

Committee Charters and Other Corporate Governance Materials

We have adopted a Code of Business Conduct and Ethics (the "Code"), that applies to all of our employees, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) and directors. The Code is available on the investor relations section of our website at <http://investors.paylocity.com>. A printed copy of the Code may also be obtained by any stockholder free of charge upon request to the Corporate Secretary, Paylocity Holding Corporation, 1400 American Lane, Schaumburg, Illinois 60173. Any substantive amendment to or waiver of any provision of the Code may be made only by the board of directors and will be disclosed on our website as well as via any other means then required by Nasdaq Listing Rules or applicable law.

Our board of directors has also adopted a written charter for each of the audit committee, the compensation committee and the nominating and corporate governance committee. Each charter is available on the investor relations section of our website at <http://investors.paylocity.com>.

Corporate Governance Guidelines

We have adopted Corporate Governance Guidelines (the "Guidelines") that address the composition of the board, criteria for board membership and other board governance matters. These Guidelines are available on the investor relations section of our website at <http://investors.paylocity.com>. A printed copy of the Guidelines may also be obtained by any stockholder free of charge upon request to the Corporate Secretary, Paylocity Holding Corporation, 1400 American Lane, Schaumburg, Illinois 60173.

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CORPORATE GOVERNANCE

Compensation Committee Interlocks and Insider Participation

None of the members of the compensation committee are or have been an officer or employee of Paylocity. During the fiscal year ended June 30, 2018, none of our company's executive officers served on the compensation committee (or its equivalent) or board of directors of another entity any of whose executive officers served on our compensation committee or board of directors.

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Table of Contents**PROPOSAL NO. 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee of our board of directors has selected KPMG LLP ("KPMG") to serve as our independent registered public accounting firm to audit the consolidated financial statements of Paylocity Holding Corporation for the fiscal year ending June 30, 2019. KPMG has served as our auditor since May 2013. A representative of KPMG is expected to be present at the annual meeting to respond to appropriate questions and make a statement if he or she so desires.

The following table sets forth the aggregate fees billed by KPMG for the fiscal years ended June 30, 2018 and 2017:

	Fiscal 2018	Fiscal 2017
Audit fees ⁽¹⁾	\$ 1,471,793	\$ 1,068,395
Audit-related fees ⁽²⁾	\$ —	\$ —
Tax fees ⁽³⁾	\$ 45,000	\$ 37,228
All other fees ⁽⁴⁾	\$ 131,250	\$ 19,017
Total fees	\$ 1,648,043	\$ 1,124,640

Audit fees consist of fees billed for professional services rendered for the audit of our consolidated financial statements, the review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by the independent auditor in connection with statutory or regulatory filings or engagements.

Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit Fees."

Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning. These services include assistance regarding federal and state tax compliance.

All other fees consist of fees for services other than the services reported above. These fees include amounts billed for consulting services related to new accounting standards.

Policy on Audit Committee Pre-approval of Audit and Non-audit Services Performed by Independent Registered Public Accounting Firm

The audit committee has determined that all services performed by KPMG are compatible with maintaining the independence of KPMG. The audit committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Unless the specific service has been pre-approved with respect to that year, the audit committee must approve the permitted service before the independent registered public accounting firm is engaged to perform it. The independent registered public accounting firm and management are required to periodically report to the audit committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval process.

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PROPOSAL NO. 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Vote Required and Board of Directors Recommendation

The affirmative vote of a majority of the voting power of the shares present in person or by proxy and entitled to vote on the matter at the annual meeting is required for approval of this proposal. Abstentions will have the effect of a vote “against” the ratification of KPMG LLP as our independent registered public accountants. Your bank or broker will have discretion to vote any uninstructed shares on this proposal. If the stockholders do not approve the ratification of KPMG as our independent registered public accounting firm, the audit committee will reconsider its selection.

The Board of Directors unanimously recommends that you vote **“FOR”** the ratification of the appointment of KPMG as our independent registered public accounting firm for the fiscal year ending June 30, 2019. Proxies will be so voted unless stockholders specify otherwise in their proxies.

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REPORT OF THE AUDIT COMMITTEE

The audit committee currently consists of three directors. Messrs. Diehl and Waters and Ms. Carnahan are each, in the judgment of the board of directors, an independent director. The audit committee acts pursuant to a written charter that has been adopted by the board of directors. A copy of the charter is available on the investor relations section of Paylocity's website at

<http://investors.paylocity.com>.

The audit committee oversees Paylocity's financial reporting process on behalf of the board of directors. The audit committee is responsible for retaining Paylocity's independent registered public accounting firm, evaluating its independence, qualifications and performance, and approving in advance the engagement of the independent registered public accounting firm for all audit and non-audit services. The audit committee's specific responsibilities are set forth in its charter. The audit committee reviews its charter at least annually.

Management has the primary responsibility for the financial statements and the financial reporting process, including internal control systems, and procedures designed to insure compliance with applicable laws and regulations. Paylocity's independent registered public accounting firm, KPMG LLP, is responsible for expressing an opinion as to the conformity of our audited financial statements with generally accepted accounting principles.

The audit committee has reviewed and discussed with management the company's audited financial statements. The audit committee has also discussed with KPMG LLP all matters that the independent registered public accounting firm was required to communicate and discuss with the audit committee, including the matters required to be discussed by Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 1301, Communications with Audit Committees, as such standard may be further modified, supplemented or amended from time to time (or such successor standard that may be promulgated). In addition, the audit committee has met with the independent registered public accounting firm, with and without management present, to discuss the overall scope of the independent registered public accounting firm's audit, the results of its examinations, its evaluations of the company's internal controls and the overall quality of Paylocity's financial reporting.

The audit committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent registered public accounting firm's communications with the audit committee concerning independence and has discussed with the independent registered public accounting firm its independence.

Based on the review and discussions referred to above, the audit committee recommended to Paylocity's board of directors that the company's audited financial statements be included in Paylocity's Annual Report on Form 10-K for the fiscal year ended June 30, 2018.

AUDIT COMMITTEE

Ronald V. Waters III, Chair
Jeffrey T. Diehl
Ellen Carnahan

The foregoing Report of the Audit Committee shall not be deemed to be incorporated by reference into any filing of Paylocity under the Securities Act of 1933, as Amended (the "Securities Act") or the Exchange Act, except to the extent that Paylocity specifically incorporates such information by reference in such filing and shall not otherwise be deemed "filed" under either the Securities Act or the Exchange Act or considered to be "soliciting material."

Table of Contents**EXECUTIVE OFFICERS**

The following table sets forth information regarding our executive officers as of October 23, 2018.

Name	Age	Position
Steven R. Beauchamp	46	Chief Executive Officer and Director
Toby J. Williams	45	Chief Financial Officer
Michael R. Haske	46	President and Chief Operating Officer
Edward W. Gaty	45	Senior Vice President of Product and Technology
Mark S. Kinsey	48	Senior Vice President of Operations
Andrew J. Cappelletti	47	Chief Accounting Officer

Mr. Beauchamp's biography can be found on page 11 of this Proxy Statement with the biographies of the other members of the board of directors. Biographies for our other executive officers, including our other named executive officers, are below.

Toby J. Williams is our Chief Financial Officer. Prior to joining Paylocity in September 2017, Mr. Williams held several positions at Ellucian, Inc., most recently as Chief Product and Strategy Officer. Prior to joining Ellucian, Inc. in February 2011, Mr. Williams served as the Director, Corporate Development at Paychex, Inc. He also previously worked as a senior associate in the investment banking division of Citigroup Global Markets Inc. and as an associate in private law practice. Mr. Williams earned his B.A. of Business Administration and Political Science from Houghton College and both an M.B.A. and J.D. from The Ohio State University.

Michael R. Haske served as our Senior Vice President of Sales & Marketing before being promoted to President and Chief Operating Officer in August 2017. Prior to joining Paylocity in 2007, Mr. Haske held several roles at Paychex, Inc., including Director of Marketing and Business Development and Regional Manager. Prior to joining Paychex, Inc., Mr. Haske held multiple roles with Automatic Data Processing, Inc., including Sales Manager & Corporate Sales Trainer. Mr. Haske earned his B.A. degree in Marketing and Finance from the University of Michigan. He also earned an M.B.A. in Marketing from Cardean/Ellis NYIT.

Edward W. Gaty is our Senior Vice President of Product and Technology. Prior to joining Paylocity in July 2013, Mr. Gaty held several positions at Hewitt Associates and Aon Hewitt, a human resources consulting firm, from 1995 to 2013, including Chief Information Officer, Benefits Administration and Chief Technology Officer, Benefits Administration. Mr. Gaty holds a B.A. in Economics & Business Administration from Kalamazoo College and an M.S. in Information Technology from Northwestern University.

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EXECUTIVE OFFICERS

Mark S. Kinsey is our Senior Vice President of Operations. Prior to joining Paylocity in May 2015, Mr. Kinsey served as President of Online Data Collection at Ipsos from 2012 to 2015. Prior to joining Ipsos, Mr. Kinsey held several positions at The Nielsen Company from 2002 to 2012, including Head of North America Consumer Operations and Global Product Leader of consumer household panel services. Before joining The Nielsen Company, Mr. Kinsey was a consultant in the general practice with AT Kearney, a management consulting firm. He holds a B.S. in Finance from Ball State University and an M.B.A. from Indiana University.

Andrew J. Cappotelli is our Chief Accounting Officer. Prior to joining Paylocity in June 2018, Mr. Cappotelli served as a Vice President at Trinet, Inc. from August 2017 to May 2018. Prior to joining Trinet, Mr. Cappotelli held several financial leadership positions at Paychex, Inc. from July 2006 to August 2017. He also previously served as the Director of Internal Audit at Black & Decker Corporation, Director of Accounting at Gibraltar Industries and as a Senior Manager in the Assurance Practice at KPMG. Mr. Cappotelli earned both his B.B.A. in Accounting and his M.B.A. from Saint Bonaventure University. He is also a Certified Public Accountant.

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COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis of compensation arrangements of our named executive officers should be read together with the compensation tables and related disclosures set forth below. This discussion contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. The actual amount and form of compensation and the compensation programs that we adopt may differ materially from currently planned programs as summarized in this discussion.

This section discusses the philosophy underlying our executive compensation policies and decisions and the most important factors relevant to an analysis of these policies and decisions. It provides qualitative information regarding the manner and context in which compensation is awarded to and earned in fiscal 2018 by the following named executive officers and places in perspective the data presented in the tables and narrative that follow:

Steven R. Beauchamp, our Chief Executive Officer (“CEO”);
 Toby J. Williams, our Chief Financial Officer (“CFO”);
 Michael R. Haske, our President and Chief Operating Officer (“COO”);
 Edward W. Gaty, our Senior Vice President of Product and Technology; and
 Mark S. Kinsey, our Senior Vice President of Operations.

We refer to these executive officers collectively in this Compensation Discussion and Analysis and the related compensation tables as the “named executive officers.” We refer to our compensation committee in this Compensation Discussion and Analysis and the related compensation tables as the “Committee.” The members of the Committee in fiscal 2018 were Ellen Carnahan, Mark H. Mishler, Andres D. Reiner and Ronald V. Waters III. Ms. Carnahan was appointed to the Committee on January 26, 2018, while Mr. Mishler ceased serving on the Committee upon his resignation from the board of directors on January 25, 2018.

Fiscal 2018 Financial and Business Highlights

In fiscal 2018, we continued to execute our strategy of growing our client base, expanding our product offerings, increasing average revenue per client, extending technological leadership and further developing our referral network. Our named executive officers and other members of our executive management team led the organization to achieve certain operational and financial milestones that position us for continued short- and long-term success, including the following achievements:

15% increase in clients using our payroll and human capital management (“HCM”) software solutions

92%+ Revenue retention

26% year-over-year revenue growth

10% increase in average recurring revenue per client

Over 25% new business revenue from broker referrals

22% adjusted EBITDA margin*

Adjusted EBITDA is a non-GAAP financial measure. For information on Adjusted EBITDA, as defined by the Company, please see Part II, Item 6: “Consolidated Selected Financial Data” included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2018 filed with the SEC * on August 10, 2018.

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COMPENSATION DISCUSSION AND ANALYSIS

Fiscal 2018 Executive Compensation Highlights

The following key compensation actions were taken with respect to the named executive officers for fiscal 2018:

Base Salaries: We adjusted the base salaries of certain of our named executive officers in order to appropriately compensate them given the level of expected performance and the competitive market.

Annual Cash Bonuses: We paid annual cash bonuses to our named executive officers in order to encourage them to focus on the achievement of key short-term business objectives and reflect their achievement of the corporate performance objectives under our annual cash bonus incentive plan.

Long-Term Equity Incentive Compensation: We granted restricted stock unit awards for shares of our common stock to our named executive officers with both time-based and performance-based vesting in order to reward increases in stockholder value and achievement of corporate objectives.

Share Ownership Guidelines: We have adopted stock ownership guidelines for our named executive officers in order to promote the alignment of long-term interests of our named executive officers with our stockholders.

Compensation Philosophy and Objectives

The total compensation program for our named executive officers is designed to attract, retain and reward individuals by motivating them to contribute to the growth and profitability of the Company. We seek to achieve these objectives by providing compensation that is competitive with the practices of other peer group technology companies and linking rewards to Company and individual performance by providing incentives intended to motivate our named executive officers to increase long-term stockholder value in alignment with stockholders' interests.

The Role of the Committee and its Consultants and Advisors

The Committee's primary duties are to regularly meet, review and advise our board of directors on the Company's overall compensation philosophy, policies and plans, including a review of both regional and industry compensation practices and trends. The Committee is responsible for taking action with respect to compensation that will attract and retain the highest quality executives that will clearly articulate the relationship of corporate performance to executive compensation and that will reward executives for the Company's progress. For a more complete description of the duties and responsibilities of the Committee, see the charter for the Committee posted on our website at: <http://investors.paylocity.com>.

The Committee has engaged Compensia, an outside independent executive compensation consultant, to assist the Committee with executive compensation matters by providing market research and advisory support for base salary, bonus and equity compensation matters and to assist the Committee with assessing the Company's peer group. Compensia annually develops a peer group study and an executive compensation review that is specific to the Company. Compensia does not provide other services to the Company. The Committee also uses the services of the Company's human resources department and the Company's outside counsel in making compensation-related decisions involving our named executive officers.

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COMPENSATION DISCUSSION AND ANALYSIS

Role of Named Executive Officers in Compensation Decisions

The compensation of all of our named executive officers is determined by the Committee. Our CEO and CFO typically provide an agenda and recommendations to the Committee. Our CEO attends the Committee meetings and discusses with the Committee the compensation and performance of all executive officers, other than himself. Our CEO bases his recommendations in part upon his review of the performance of our executive officers. The Committee may exercise its discretion in modifying any recommended compensation adjustments or awards to such named executive officers.

Components of Executive Compensation

Our equity compensation program is structured to align the long-term pay of our named executive officers with shareholder interests. We believe that equity awards are a significant compensation-related motivator in attracting and retaining executive-level employees, and our executive compensation program aims to appropriately balance the goals of motivating and rewarding our executive officers, thereby promoting stability in our leadership.

To promote alignment of our executive officers' interests with those of our stockholders and to focus our executives on achievement of certain annual performance-based metrics that the Committee considers critical to the Company's future success, we also have an annual cash bonus program that varies above or below target levels commensurate with our performance. In addition, we have executive employment agreements with each of our named executive officers in order to secure their positions with the Company and to increase the executives' focus with the Company notwithstanding the high demand for services that may exist within the executives' locality and the Company's competitors in the technology sector.

We offer our named executive officers compensation in the following forms:

Base salaries to reward individual contributions and compensate for their day-to-day responsibilities;

Variable compensation in the form of performance-based bonuses that are directed to drive targeted corporate business goals and individual annual objectives; and

Equity compensation in the form of stock options and restricted stock units, which include both time-based and performance-based vesting terms, in order to foster focus by our named executive officers on long-term objectives.

Currently, we do not view perquisites or other personal benefits as a significant component of our executive compensation program. Therefore, we generally do not provide perquisites or other personal benefits to our executive officers except in situations where we believe it is appropriate to assist an individual in the performance of his or her duties, to make our executive officers more efficient and effective, and for recruitment and retention purposes. During fiscal 2018, other than the car allowance provided to Mr. Haske and the housing and commuting expenses provided to Mr. Williams, none of the named executive officers received perquisites or other personal benefits that were, in the aggregate, \$10,000 or more for each individual. In addition, we do not provide our named executive officers retirement plan benefits or health and welfare plan benefits that deviate from what is generally offered to employees of the Company.

We view these components of compensation as related, but the Committee does not review total compensation for the named executive officers in making a decision with regard to a component of compensation because the Committee does not believe that significant compensation derived from one component of compensation should negate or reduce compensation from other components. The Committee instead believes that each component of compensation is intended to reward different goals, as well as skills, responsibilities and duties of the executive. As a result, the appropriate level for each compensation component is based in part, but not exclusively, on survey data and our recruiting and retention goals, our view of internal equity and consistency and other considerations we deem relevant, such as rewarding extraordinary performance, for such component of compensation.

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COMPENSATION DISCUSSION AND ANALYSIS

In determining named executive officer compensation, the Company considers the following factors:

- the Company's performance in the previous fiscal year;
- the Company's growth from the previous year;
- long-term retention value;
- the Company's outlook and operating plan for the upcoming fiscal year;
- assistance from the Committee's advisors and consultants, as described under "*The Role of the Committee and its Consultants and Advisors*", including the compensation analysis put together by Compensia;
- the named executive officer's role;
- an evaluation of the named executive officer's individual performance and overall impact on the Company;
- the size of the aggregate equity pool available for awards for the year and the relative allocation of such pool among the named executive officers and other participants;
- overall equity burn rates as well as equity overhang levels;
- the value of, and expense associated with, proposed and previously awarded equity grants, including the long-term retention value of past awards; and
- compensation trends and competitive factors in the market for talent in which the Company competes.

The Committee performs an annual strategic review of compensation for our named executive officers and the Company's peer group to determine whether we provide adequate incentives and motivation to our named executive officers. To this end, the Committee reviews survey data and compensation data of peer companies annually when it reviews named executive officer compensation.

For fiscal 2018, the Committee, based on an analysis put together by Compensia, developed the Company's peer group for purposes of advising the Committee on its assessment of base salary, equity compensation and variable cash bonus opportunities for our named executive officers. After comments from Company management, the Committee reviewed the peer group assessment criteria, including peer group company location, industry, direct peers, revenue, revenue ranges, market capitalization, increases in market capitalization and revenue growth rate. None of the criteria are fixed and the Committee retains the discretion to determine the Company's peer group for compensation purposes. For fiscal 2018, our peer group as determined by the Committee consisted of the following:

2U	HubSpot	RingCentral
8x8	Imperva	SPS Commerce
Benefitfocus	LogMein	Ultimate Software Group
Callidus Software	MINDBODY	WageWorks
Cornerstone OnDemand	Paycom Software	Zendesk
Ellie Mae	Proofpoint	