MINE SAFETY APPLIANCES CO
Form DEF 14A
March 30, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Mine Safety Appliances Company

(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.

¨ 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:

(4) Date Filed:

MINE SAFETY APPLIANCES COMPANY P.O. BOX 426, PITTSBURGH, PENNSYLVANIA 15230 PHONE (412) 967-3000

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Holders of Common Stock of

Mine Safety Appliances Company:

Notice is hereby given that the Annual Meeting of Shareholders of Mine Safety Appliances Company will be held on Tuesday, May 12, 2009 at 9:00 A.M., local Pittsburgh time, at the Company s headquarters, 121 Gamma Drive, RIDC Industrial Park, O Hara Township, Pittsburgh, Pennsylvania for the purpose of considering and acting upon the following:

(1) *Election of Directors for 2012:* The election of three directors for a term of three years;

(2) *Selection of Independent Registered Public Accounting Firm:* The selection of the independent registered public accounting firm for the year ending December 31, 2009;

and such other business as may properly come before the Annual Meeting or any adjournment thereof.

Only the holders of Common Stock of the Company of record on the books of the Company at the close of business on February 13, 2009 are entitled to notice of and to vote at the meeting and any adjournment thereof.

You are cordially invited to attend the meeting. Whether or not you expect to attend the meeting, please execute and date the accompanying form of proxy and return it in the enclosed self-addressed, stamped envelope at your earliest convenience. If you attend the meeting, you may, if you wish, withdraw your proxy and vote your shares in person.

By Order of the Board of Directors,

Douglas K. McClaine

Secretary

March 30, 2009

March 30, 2009

MINE SAFETY APPLIANCES COMPANY

PROXY STATEMENT

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be held on May 12, 2009

The 2009 Proxy Statement and the Annual Report to Shareholders for the year ended December 31, 2008 are also available at www.msanet.com/proxymaterials.

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Mine Safety Appliances Company (the Company) of proxies in the accompanying form to be voted at the Annual Meeting of Shareholders of the Company to be held on Tuesday, May 12, 2009, and at any and all adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. If a proxy in the accompanying form is duly executed and returned, the shares of Common Stock represented thereby will be voted and, where a specification is made by the shareholder, will be voted in accordance with such specification. A shareholder giving the accompanying proxy has the power to revoke it at any time prior to its exercise upon written notice given to the Secretary of the Company.

The mailing address of the principal executive offices of the Company is P.O. Box 426, Pittsburgh, Pennsylvania 15230.

VOTING SECURITIES AND RECORD DATE

As of February 13, 2009, the record date for the Annual Meeting, 35,784,480 shares of Common Stock were issued and outstanding, not including 2,378,462 shares held in the Company s Stock Compensation Trust. The shares held in the Stock Compensation Trust are not considered outstanding for accounting purposes but are treated as outstanding for certain purposes, including voting at the Annual Meeting. See Stock Ownership Beneficial Ownership of Management.

Only holders of Common Stock of the Company of record on the books of the Company at the close of business on February 13, 2009 are entitled to notice of and to vote at the Annual Meeting and at any adjournment thereof. Such holders are entitled to one vote for each share held and do not have cumulative voting rights with respect to the election of directors. Holders of outstanding shares of the Company s 4½% Cumulative Preferred Stock are not entitled to vote at the meeting.

See Stock Ownership for information with respect to share ownership by the directors and executive officers of the Company and the beneficial owners of 5% or more of the Company s Common Stock.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

At the Annual Meeting, three directors will be elected to serve until the Annual Meeting in 2012. Messrs. Thomas B. Hotopp, John T. Ryan III and Thomas H. Witmer were nominated by the Board of Directors for election in the Class of 2012. The Board of Directors and its Nominating and Corporate Governance Committee recommend a vote FOR the election of the nominees, each of whom has consented to be named as a nominee and to serve if elected. Properly executed proxies timely received in the accompanying form will be voted for the election of the nominees named below, unless otherwise directed thereon, or for a substitute nominee designated by the Nominating and Corporate Governance Committee in the event a nominee named becomes unavailable for election.

The following table sets forth certain information about the nominees, all of whom are currently members of the Board, and about the other directors whose terms of office will continue after the Annual Meeting.

Name	Principal Occupation and any Position with the Company; Other Reporting Company Directorships	Age	Director Since
	Nominees for terms expiring in 2012		
Thomas B. Hotopp	Retired (2003); formerly President of the Company	67	1998
John T. Ryan III	Chairman of the Board; Retired (2008); formerly Chief Executive Officer of the Company	65	1981
Thomas H. Witmer	Retired (1998); formerly President and Chief Executive Officer, Medrad, Inc. (manufacturer of medical devices)	66	1997
	Continuing Directors with terms expiring in 2010		
Robert A. Bruggeworth	President and Chief Executive Officer, RF Micro Devices, Inc. (high-performance radio systems and applications that drive mobile communications); Director of RF Micro Devices, Inc.	47	2007
James A. Cederna	Owner and President, Cederna International, Inc. (executive coaching)	58	2002
John C. Unkovic	Partner and General Counsel, Reed Smith LLP (full service law firm)	65	2002
	Continuing Directors with terms expiring in 2011		
Diane M. Pearse	Chief Financial Officer, Crate and Barrel (home furnishings retailer)	51	2004
L. Edward Shaw, Jr.	Senior Managing Director, Breeden Capital Management LLC and its affiliates (investment management and multi-disciplinary professional services firm); Director of HealthSouth Corporation; Director of H&R Block, Inc.	64	1998
William M. Lambert	President and Chief Executive Officer of the Company	50	2007

From January 2004 to September 2004, Mr. Shaw was Special Counsel for the Board of Directors of the New York Stock Exchange, Inc., and from September 2004 to January 2006, he was of counsel to Gibson, Dunn & Crutcher LLP, a full service law firm. Mr. Shaw is the brother-in-law of Mr. Ryan. Mr. Lambert has been President and Chief Executive Officer of the Company since May 2008. From May 2007 to May 2008 he was President and Chief Operating Officer and prior thereto he was a Vice President of the Company and President of MSA North America. Each other director has engaged in the principal occupation indicated in the above table for at least the past five years.

Director Independence

The Board of Directors has determined that each of directors Bruggeworth, Cederna, Hotopp, Pearse, Unkovic and Witmer is an independent director. An independent director is a director who has no material relationship with the Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company.

In making its independence determinations, the Board reviewed the director s individual circumstances, the corporate governance rules of the New York Stock Exchange and the Board s independence standards. These standards are available in the Investor Relations section of the Company s internet website at www.MSAnet.com. They are summarized below:

Disqualifying Relationships

The following relationships are considered to be material relationships that would impair a director s independence:

If a director is an employee or has an immediate family member who is an executive officer of the Company, the director is not independent until three years after the end of the employment relationship.

If a director or an immediate family member receives more than $120,000 per year in direct compensation from the Company, the director is not independent until three years after the director or family member ceases to receive such compensation. Disqualifying compensation does not include director and committee fees, pension or deferred compensation for prior service or compensation received by an immediate family member for service as a non-executive officer employee.

If a director or an immediate family member is employed by or affiliated with a present or former internal or external auditor of the Company, the director is not independent until three years after the end of the affiliation or the employment or auditing relationship. Employment of an immediate family member in a non-professional capacity does not disqualify a director.

If a director or an immediate family member is an executive officer of another company, and any of the Company s present executives serves on that company s compensation committee, the director is not independent until three years after the end of such employment or service.

If a director is an employee or an immediate family member is an executive officer of a company that makes payments to or receives payments from the Company for property or services, and the amount of such payments in a fiscal year exceeds the greater of $1 million or 2% of the other company s consolidated gross revenue, the director is not independent until three years thereafter.

Non-Disqualifying Relationships

The following relationships are not considered to be material relationships that would impair a director s independence:

A director is an executive officer of another company that is indebted to the Company, or to which the Company is indebted, in an amount less than 5% of the other company s total consolidated assets;

A director is an executive officer of another company in which the Company owns a common stock interest less than 5% of the other company s total shareholders equity;

A director serves as an executive officer of a charitable organization, and the Company s discretionary contributions to the organization are less than 2% of the organization s annual revenue; or

A director is an executive officer of another company that owns a common stock interest in the Company.

Other Relationships

The Board will annually review commercial and charitable relationships of directors. If a relationship is not one of the non-disqualifying relationships described above, the determination of whether the relationship is material or not, and therefore whether the director is independent or not, is made by the directors who satisfy the independence guidelines set forth under the two preceding captions.

For example, if a director is the executive officer of a charitable organization, and the Company s discretionary contributions to the organization are more than 2% of that organization s annual revenue, the independent directors will determine, after considering all of the relevant circumstances, whether the relationship is material, and therefore whether or not the director should be considered independent. The Company will explain in its proxy statement the basis for any Board determination that a relationship is not material, despite the fact that it does not meet one of the safe-harbors under Non-Disqualifying Relationships above.

Mr. Unkovic is a partner and General Counsel of Reed Smith LLP, which provides legal services to the Company. In 2008, the amount of payments made by the Company to Reed Smith did not exceed the greater of $1,000,000 or 2% of the consolidated gross revenue of Reed Smith. The Board has determined that Mr. Unkovic s personal gain from the Company s relationship with Reed Smith does not affect his ability to act independently and, accordingly, is not material.

Board Committees

The Board of Directors has established an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and certain other committees.

The Audit Committee, which met six times during 2008, assists the Board in fulfilling its oversight responsibility relating to the integrity of the Company s financial statements and financial reporting process. The Committee selects and recommends annually to the Board and the shareholders the independent registered public accounting firm to audit the Company s financial statements, approves in advance all audit and non-audit services performed by the independent registered public accounting firm, reviews the plans, findings and recommendations of the independent registered public accounting firm, and reviews and evaluates the performance of the independent registered public accounting firm, their independence and their fees. The Committee reviews and discusses with management and the independent registered public accounting firm the Company s financial statements and reports, its internal and disclosure controls and matters relating to the Company s internal control structure, its Code of Business Conduct and Ethics and legal and regulatory compliance. The current members of the Audit Committee are directors Bruggeworth, Cederna, Pearse (Chair) and Witmer, each for a term expiring at the 2009 organizational meeting of the Board of Directors. The Board of Directors has determined that Director Pearse is an audit committee financial expert, as defined by the rules of the Securities and Exchange Commission.

The Compensation Committee presently consists of directors Cederna, Hotopp, Unkovic and Witmer (Chair), each for a term expiring at the 2009 organizational meeting of the Board. The Compensation Committee, which met four times in 2008, reviews and recommends (to the independent directors for approval) the annual goals, objectives and performance of the Company s chief executive officer, reviews and approves the compensation of the Company s executive officers and other key executives and monitors the effectiveness of the Company s employee benefit offerings. The Compensation Committee also administers the Company s 2008 Management Equity Incentive Plan and predecessor equity plans (collectively, the Management Equity Plans).

The current members of the Nominating and Corporate Governance Committee are directors Cederna (Chair), Hotopp and Unkovic, each for a term expiring at the 2009 organizational meeting of the Board. The Committee, which met two times in 2008, reviews and makes recommendations to the Board regarding the composition and structure of the Board, criteria and qualifications for Board membership, director compensation and evaluation of current directors and potential candidates for director. It is also responsible for establishing and monitoring policies and procedures concerning corporate governance. Further information concerning the Nominating and Corporate Governance Committee and its procedures appears below.

Corporate Governance Matters

The Board of Directors has adopted Corporate Governance Guidelines which cover a wide range of subjects, such as the role of the Board and its responsibilities, Board composition, operations and Committees, director compensation, Board and management evaluation and succession planning, director orientation and training and communications with the Board. The Corporate Governance Guidelines, as well as the Charters of the Board s Audit, Compensation and Nominating and Corporate Governance Committees and the Company s Code of Business Conduct and Ethics for directors, officers and employees, are available in the Investor Relations section of the Company s internet website at www.MSAnet.com. Such material will also be furnished without charge to any shareholder upon written request to the Corporate Secretary at the Company s address appearing on page one.

The Corporate Governance Guidelines provide that it is the Company s practice for the non-management directors to meet at each Board meeting in executive session, with no members of management present. The non-management directors include, in addition to the independent directors, any other director who is not a current officer of the Company. In addition, the independent directors hold at least one executive session per year. A chairperson for the executive sessions for non-management directors is selected annually from the non-management directors. A chairperson for the executive session for independent directors is selected annually from the independent directors. A chairperson who serves in that role may not be the chairperson of the executive sessions again until at least two years have passed since he or she last held the position. From May 2008, Mr. Hotopp served as chairperson of the executive sessions of the non-management directors and Mr. Cederna served as the chairperson for the sessions with the independent directors. Mr. Unkovic is expected to serve as the chairperson of the executive sessions of the non-management directors and Mr. Cederna is expected to continue as the chairperson for the sessions with the independent directors.

The Board of Directors met six times during 2008. All directors attended at least 75% of the combined total of the meetings of the Board and of all committees on which they served. Directors are expected to attend the Annual Meeting of Shareholders. In 2008, all members of the Board of Directors attended the Annual Meeting.

Vote Required

In the election of directors for terms expiring in 2012, the three candidates receiving the highest numbers of votes cast by the holders of Common Stock voting in person or by proxy will be elected as directors. A proxy vote indicated as withheld from a nominee will not be cast for such nominee but will be counted in determining whether a quorum exists for the meeting.

The Company s Restated Articles require that any shareholder intending to nominate a candidate for election as a director must give written notice, containing specified information, to the Secretary of the Company not later than 90 days in advance of the meeting at which the election is to be held. No such notices were received with respect to the 2009 Annual Meeting. Therefore, only the nominees named above will be eligible for election at the meeting.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Objectives and Overview of the Executive Compensation Program

The objectives of MSA s executive compensation program, which covers not only the six officers named in the Summary Compensation Table (Named Officers), but all officers of the Company, are to help attract, retain and motivate superior executive talent who will drive financial performance and enable the Company to achieve its goals. Our program is guided by a philosophy that strives to align compensation at the middle (50^{th} percentile) of the market for all elements, including salary, cash and equity incentives, and benefits, and above-market compensation for performance exceeding annual budgets and peer group return on net assets (RONA) norms. We believe this philosophy will enable the Company to attract and retain superior executive talent with the opportunity to work in a highly ethical, growing and team-oriented Company. The design of our compensation programs is driven by the following core principles:

- The compensation program should account for each executive s individual role and unique responsibility while assuring a fair and competitive approach.

- Executive compensation should be aligned to the achievement of corporate goals and objectives and provide line of sight to annual and long-term corporate strategies.

- A significant portion of an executive s compensation should be performance-based and should hold executives accountable for the achievement of corporate objectives and increases in shareholder value.

- The compensation program should promote an ownership culture through the use of stock-based compensation and ownership guidelines that define expected levels of ownership in MSA s stock.

- The compensation program should recognize and reward an executive s loyalty and tenure with the Company by providing financial security following retirement.

Overview of the Executive Compensation Program. Our executive compensation program contains both cash and stock-based components designed to meet specific objectives of the Compensation Committee of the Board of Directors (the Committee). The Committee considers both annual and long-term Company goals and strives to develop incentives that motivate executives to achieve these goals. Cash payments are provided through an executive s base salary and a performance-based annual incentive. Company stock is provided through the use of stock options, non-performance based time-vesting restricted stock and in 2009, performance based restricted stock. The Committee has chosen to align its cash incentive program with the achievement of annual internal financial goals and its stock program with the accomplishment of long-term stock price appreciation.

Executives participate in a retirement plan similar to all other employees and some are provided with a limited number of perquisites (e.g. company car, financial counseling, club memberships, etc.) that the Committee believes serve a business purpose, are common in the market and are of modest cost to the Company. Executives also participate in a severance plan that provides certain benefits to executives should their jobs be terminated following a change in control of the Company. The specific rationale for why the Committee has chosen to provide each element of compensation is as follows:

Base salary: provides a fixed level of compensation on which an executive can rely, regardless of how the Company performs. Enables the Company to successfully compete for talent.

Annual cash incentive: provides a means of rewarding executives with an annual cash payment based on the achievement of annual Company performance goals. Amount of payout can vary significantly based on actual performance relative to annual goals. This plan does not provide a guaranteed payout.

Stock option grants: provide a means of linking an executive s compensation to the increase in stock price above that at the time of grant. Stock options align a portion of an executive s compensation to increases in shareholder value, a long-term goal of the Company.

Time-vesting restricted stock: provides valuable retention benefits to the Company and facilitates the accumulation of Company shares by executives. Restricted stock aligns a portion of an executive s compensation to increases in shareholder value, a long-term goal of the Company. For international executives restricted stock units may be substituted.

Performance based restricted stock: provides a means of linking an executive s compensation to key performance metrics that measure the Company s return on net assets (RONA) performance as compared to our peer group. A plan for performance-based share awards was developed in 2008 for implementation in 2009.

Retirement benefits: provide financial security following retirement; rewards for loyalty and tenure with the Company.

Change in control severance protection: allows executives to remain financially indifferent when considering opportunities that could benefit shareholders yet could negatively impact an executive s job security.

Perquisites: maximize the efficient use of an executive s time, meet competitive employment requirements and/or serve to strengthen relationships with customers and suppliers.

The Committee believes that all of these components, taken as a whole, provide an attractive compensation package that aligns with the Company s annual and long-term goals and enables the Company to attract, retain and motivate superior executive talent.

Performance-Based Incentives. The Committee believes that a significant portion of an executive s compensation should be delivered through performance-based incentive compensation components. The Committee has identified meaningful financial and shareholder performance objectives that align with the business strategy. The Committee uses annual financial performance metrics and goals as the basis for motivating and rewarding executives through the Company s annual incentive plan. In addition, the Committee believes that an increase in the Company s stock price is the best means of rewarding shareholders over the long-term. To meet this objective, the Committee has chosen to provide executives with stock options and restricted shares.

The Company s incentive plans (annual and long-term) are targeted to reward executives at the middle (50th percentile) of the market. If the Company s performance exceeds our goals and expectations, the annual incentive plan is designed to pay above the targeted level and, therefore, above the middle of the market. If the Company s performance falls below our goals and expectations, the annual incentive plan is designed to pay below the targeted level or below the middle of the market. If actual performance falls below a certain threshold level, our annual incentive plan is designed to pay nothing.

The following table shows the allocation of performance-based versus fixed compensation components for our Named Officers at targeted levels in 2008:

PERCENT OF COMPENSATION AT RISK

Executive Officer	Performance-Based (1)	Fixed (2)
John T. Ryan III	55.2%	44.8%
William M. Lambert	63.0%	37.0%
Dennis L. Zeitler	54.2%	45.8%
Rob Cañizares	53.8%	46.2%
Joseph A. Bigler	52.1%	47.9%
Kerry M. Bove	48.6%	51.4%

(1) Includes the target value of 2008 non-equity incentive award and the grant date fair value of stock options granted in February 2008.

(2) Includes base salary earned in 2008 plus the grant date fair value of time-vesting restricted stock granted in February 2008. Time-vesting restricted stock is included in the fixed column because there are no performance conditions to its vesting (other than continued employment), but unlike base salary, the ultimate value of restricted stock is inherently performance based.

Determination of Executive Compensation Amounts

Compensation Oversight Process. The Committee has responsibility for the oversight and decision making regarding executive compensation. The Committee has engaged an outside compensation consultant, Towers Perrin, to provide assistance and guidance on compensation issues. The consultant provides management and the Committee with relevant information pertaining to market compensation levels, alternative compensation plan design, market trends and best practices.

At its meetings, the Committee regularly holds executive sessions, which exclude management and, subject to the Committee s desire, may include its outside consultant. Management assists in the coordination and preparation of the meeting agenda and materials for each meeting, which are reviewed and approved by the Committee Chairman. Meeting materials are mailed to Committee members for review approximately one week in advance of each meeting. The Committee met four times in 2008.

Role of Executive Officers in the Compensation Process. The Committee develops proposals on compensation issues relating to the Chief Executive Officer and presents them to the independent directors for their approval. Compensation decisions regarding all other executive officers are approved by the Committee. The Committee considers the recommendations of the Chief Executive Officer when making compensation decisions regarding all executive officers. Management works with the outside consultant by providing internal information as necessary to facilitate comparisons of the Company s compensation programs to the market.

Setting Compensation Levels. The Committee reviews data related to compensation levels and programs of other companies prior to making its decisions. The Committee engages its consultant to perform a comprehensive assessment of compensation levels provided to executives among a peer group of companies. These companies are selected based on the following criteria:

Annual revenues that range from approximately half to double (approximately $500 million to $2 billion in 2008) our annual revenues)

Manufacturing process representing various industry sectors

Global operations and customer base

For 2008, the peer group consisted of the following 25 companies:

Albany International Corp.	Matthews International Corp.
AMETEK Inc.	Mettler-Toledo International Inc.
Brady Corp.	Moog Inc.
Bucyrus International Inc.	Nordson Corp .
Ceradyne Inc.	PerkinElmer Inc.
Checkpoint Systems Inc.	Respironics Inc. *
CLARCOR Inc.	Robbins & Myers Inc.
EDO Corp.	Roper Industries Inc.
ESCO Technologies Inc.	Simpson Manufacturing Co. Inc.
Federal Signal Corp.	Standex International Corp.
Gentex Corp.	STERIS Corp.
IDEX Corporation	Varian Inc.
Invacare Corp.	

* Respironics has been acquired and will be deleted in 2009.

The Committee may periodically make changes to the peer group, usually by adding companies who may better meet our selection criteria or by removing companies who may have experienced change, such as acquisition, and no longer fit our selection criteria. In 2008, the Committee through its consultant, conducted a review of the peer companies to assure alignment and sound rationale.

The consultant conducts an annual analysis of the most recent proxy disclosures for the peer group companies in order to understand the compensation ranges for base salary, annual and long-term incentives provided to the peer group named executive officers. In addition, regression analysis is applied to data from multiple compensation surveys representing nearly one thousand (1,000) companies in a broader general industry survey. The peer group data is added to the survey data as an additional data source. This combined data (peer group and surveys) allows the Committee to understand the market compensation ranges for both the Named Officers and positions below the Named Officers based on the duties and responsibilities of each position. This process allows the Committee to understand and determine the level of compensation needed to target the middle (50^{th} percentile) of the market.

The market compensation data are further used to develop a market compensation structure which includes salary grades with midpoints. Each executive is assigned to a salary grade where the midpoint of the grade approximates the median (50^{th} percentile) of the market salary level for the position. Each salary grade has a salary range around the midpoint and has a corresponding annual and long-term incentive award opportunity that also aligns with the middle (50^{th} percentile) of the market. In assigning an executive to a salary grade, the Committee also considers internal factors that may, in a limited number of instances, impact the grade assignment of an executive.

In addition to the market data, the Committee considers other factors when making compensation decisions, such as:

- Individual and Company performance

- Experience in the position

- Current compensation relative to midpoint

Prior-year compensation adjustments

An assessment of these factors could result in actual compensation being positioned modestly above or below the desired middle (50^{th} percentile) of the market positioning. The Committee does not consider amounts earned from prior performance-based compensation, such as prior bonus awards or realized or unrealized stock option gains, in its decisions to increase or decrease compensation for the following year. The Committee believes that this would not be in the best interest of retaining and motivating executives.

In order to assess the impact of its executive compensation decisions, the Committee reviews a summary report or tally sheet of total compensation provided to each executive. The tally sheet includes the total dollar value of annual compensation, including salary, annual and long-term incentive awards, annual increase in retirement accruals and the value of other benefits and perquisites. The tally sheet also provides the Committee information pertaining to equity ownership, future retirement benefits, and benefits the Company is required to provide to each executive under various termination scenarios. Tally sheets were reviewed by the Committee for the first time in 2006 and again in 2007 and 2008, and have become a component of the Committee s decision making process each year going forward.

Retirement of John T. Ryan III

On July 1, 2008, John T. Ryan III retired from active employment and assumed his role of Non-Executive Chairman. At the May 13, 2008 Board of Directors meeting, Mr. Ryan transitioned from the role as Chief Executive Officer and William M. Lambert was named President and CEO.

Elements of Executive Compensation

Fixed Cash Base Salary. The Company provides executives with a base salary in order to attract and retain executive talent and to provide a dependable means of funding daily living expenses. Base pay is designed to be competitive with other organizations and is sensitive to the skill level, responsibility and experience of the executive. Base salary for each executive is determined through our external benchmarking process and an internal comparison to other executives at MSA to ensure internal equity. Base salary levels are targeted to the middle (50^{th} percentile) of the market.

Annual base salary adjustments are directly linked to each executive s individual performance assessment based on a rigorous performance management process called PMP . This individual process details an executive s annual accomplishments compared to set levels of performance expectations, and also assesses the actual behaviors used to achieve the performance level. The CEO develops annual base salary adjustments for each executive primarily by evaluating individual performance through the PMP process. The Committee performs a similar comprehensive evaluation of the CEO s performance against pre-determined strategic goals and determines his recommended annual base salary increase based on the outcome of this evaluation.

Performance-Based Annual Cash Incentive. The Company provides executives with an annual cash incentive, referred to as the MSA Non-CEO Executive Incentive Plan (NCEIP), which directly rewards the accomplishment of key corporate and/or geographical performance goals. Our CEO participates in the CEO Annual Incentive Award Plan (AIAP) which has been approved by shareholders and is administered within the requirements necessary to retain the tax deductibility of his annual incentive award under Section 162(m) of the Internal Revenue Code. Additionally, each executive, including the CEO, participates in a feature known as the Enhanced Bonus that rewards for exceeding the Company s budgeted consolidated net income before extraordinary items. Under the Enhanced Bonus feature, annual incentive awards earned under the NCEIP or AIAP would be increased if the Company s income before extraordinary items exceeds the target. The enhancement is interpolated at performance levels between target and 125% of target. For example, at performance of 105% of target the incentive is increased by 10%. The incentive is increased by 50% if the Company exceeds the target by 25% or more. The Committee believes that the Enhanced Bonus feature provides focus and motivation to exceed bottom line profitability targets in addition to other Company and business unit performance measures.

Under the NCEIP and AIAP, the target opportunity for each named executive officer is aligned with the executive s salary grade level and with the middle (50^{th} percentile) of the market as determined through our external benchmarking process.

The following table shows the dollar amount of incentive that would be earned if actual performance was equal to the budgeted performance.

Target Incentive Award

Executive	Percent of Salary Midpoint (1)	NCEIP/AIAP Target Award (2)
John T. Ryan III	70%	$ 479,010
William M. Lambert	70%	$ 458,500
Dennis L. Zeitler	55%	$ 193,160
Rob Cañizares	55%	$ 193,160
Joseph A. Bigler	50%	$ 159,650
Kerry M. Bove	45%	$ 130,635

(1) Percent of salary midpoint is the percent multiplied by the executive s salary grade midpoint during 2008 to calculate the target award. Midpoints for several officers changed during the year. The target awards shown above reflect midpoints as of the end of 2008.

(2) Target award is the amount that would be paid to the executive assuming all Company and individual performance goals are met.

Actual NCEIP award payments are based primarily on the achievement of a variety of Company financial goals, but also have a discretionary personal performance factor applied based on the accomplishment of an executive s individual goals. An executive s individual performance goals are a mix of objective, subjective and strategically-oriented goals within the executive s control. When making his recommendations, the CEO rates each executive s accomplishments relative to these goals and may increase or decrease the calculated NCEIP bonus amount by up to 20%. In most years, executives accomplish the majority of their individual goals.

Actual AIAP award payment for our CEO is based exclusively on achievement of income before extraordinary items, as defined by GAAP, relative to the pre-determined goal established and approved by the Committee. The Committee also recommends for Board approval individual strategic goals for the CEO. The independent directors of the Committee may use their discretion to reduce the size of the CEO s calculated award based on his performance relative to his individual goals, but may not increase it. This is necessary to retain its Internal Revenue Code Section 162(m) deductibility.

Payout opportunities under the NCEIP and AIAP plans can range from 50% of an executive s target opportunity for performance at threshold level to 150% of an executive s target opportunity for performance at maximum levels. In addition to these opportunities, the Enhanced Bonus feature may add up to 50% to the calculated NCEIP or AIAP award. The maximum award opportunity under all plans combined is 225% of target for each executive including the CEO, whose opportunity is capped at $950,000 according to the AIAP. Actual awards paid for 2008 performance are included in the *Summary Compensation Table* on page 18 under the column *Non-Equity Incentive Plan Compensation.* Award opportunities for each Named Officer under the combined plans for 2008 at threshold, target and maximum are included in the *Grants of Plan-Based Awards* table on page 19 under the columns *Estimated Possible Payouts Under Non-Equity Incentive Plan Awards.*

In 2008, pre-established performance measures and goals were approved by the Committee at its February meeting. For the Chief Executive Officer and the other Named Officers, the Committee and in the case of the CEO, independent Directors, approved the following performance targets:

PERFORMANCE TARGETS

Chief Executive Officer John T. Ryan III (January May 2008) and

Chief Executive Officer William M. Lambert (May December 2008) and

Senior Vice President, Chief Financial Officer and Treasurer Dennis L. Zeitler

(Dollars in millions)

Performance Measure	Weighting	2008 Actual Performance	Pre-Established 2008 Annual Incentive Goals Threshold	Target	Maximum
Consolidated Net Income before extraordinary items	100%	$ 70.4	$ 50.6	$ 84.4	$ 118.2

Executive Vice President; President, MSA International Rob Cañizares

(Dollars in millions)

Performance Measure	Weighting	2008 Actual Performance	Pre-Established 2008 Annual Incentive Goals Threshold	Target	Maximum
Consolidated Net Income before extraordinary items	50%	$ 70.4	$ 50.6	$ 84.4	$ 118.2
European and International Segment Operating Income*	50%	$ 42.1	$ 31.5	$ 52.5	$73.5

Vice President; President, MSA North America Joseph A. Bigler

(Dollars in millions)

Performance Measure	Weighting	2008 Actual Performance	Pre-Established 2008 Annual Incentive Goals Threshold	Target	Maximum
Consolidated Net Income before extraordinary items	50%	$ 70.4	$ 50.6	$ 84.4	$ 118.2

North America Segment Operating Income*	50%	$ 78.1	$ 47.1	$ 78.5	$ 109.9

Vice President, Global Operational Excellence Kerry M. Bove

(Dollars in millions)

Performance		2008	Pre-Established 2008 Annual Incentive Goals		
Measure	Weighting	Actual Performance	Threshold	Target	Maximum
Consolidated Net Income before extraordinary items	25				