

MONEYGRAM INTERNATIONAL INC

Form DEF 14A

April 08, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

MONEYGRAM INTERNATIONAL, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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:

5) Total fee paid:

- o Fee paid previously with preliminary materials.
 - o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - 1) Amount Previously Paid:

 - 2) Form, Schedule or Registration Statement No.:

 - 3) Filing Party:

 - 4) Date Filed:
-

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2828 North Harwood Street, 15th Floor
Dallas, Texas 75201

April 8, 2011

Dear MoneyGram Stockholder:

You are invited to attend our 2011 Annual Meeting of Stockholders, which will be held at 8:30 a.m. Central Daylight Time on Wednesday, May 11, 2011 in the Rosewood Crescent Hotel, Salons A/B, located at 400 Crescent Court, Dallas, Texas.

Details of the business to be conducted at the meeting are described in the attached Notice of Annual Meeting of Stockholders and proxy statement.

Your vote is important. Whether or not you plan to attend the meeting, please sign, date and return the enclosed proxy card in the envelope provided, or you may vote by telephone or on the Internet as described on your proxy card. If you plan to attend the meeting, you may vote in person.

Also enclosed is a copy of our Annual Report on Form 10-K for the year ended December 31, 2010. I encourage you to read the Annual Report on Form 10-K for information about the company's performance in 2010.

We look forward to seeing you at the meeting.

Sincerely,

Pamela H. Patsley
Chairman and Chief Executive Officer

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 8, 2011

The Annual Meeting of Stockholders of MoneyGram International, Inc. will be held at 8:30 a.m. Central Daylight Time on Wednesday, May 11, 2011 in the Rosewood Crescent Hotel, Salons A/B, located at 400 Crescent Court, Dallas, Texas for the following purposes:

1. To elect nine directors to serve one-year terms;
2. To amend the MoneyGram International, Inc. 2005 Omnibus Incentive Plan;
3. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2011;
4. To hold an advisory vote on executive compensation;
5. To hold an advisory vote on the frequency of the advisory vote on executive compensation; and
6. To act upon any other matters that may properly come before the meeting and any adjournment(s) or postponement(s) thereof.

Only stockholders of record of common stock and Series B Participating Convertible Preferred Stock at the close of business on April 1, 2011 (the record date) are entitled to receive this notice and to vote at the meeting.

Our Annual Report on Form 10-K for the year ended December 31, 2010 (the 2010 Form 10-K), including financial statements, is included with your proxy materials.

To assure your representation at the meeting, please access the automated telephone voting feature or the Internet voting option described on the proxy card, or vote, sign and mail the enclosed proxy card as soon as possible. We have enclosed a return envelope, which requires no postage if mailed in the United States.

By Order of the Board of Directors

Timothy C. Everett
*Executive Vice President, General Counsel and
Corporate Secretary*

2828 N. Harwood Street
15th Floor
Dallas, Texas 75201

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**MONEYGRAM INTERNATIONAL, INC.
PROXY STATEMENT**

PART ONE

VOTING INFORMATION

A proxy is solicited on behalf of the Board of Directors of MoneyGram International, Inc. (MoneyGram, the Company, we, us or our) for use at the Annual Meeting of Stockholders to be held on Wednesday, May 11, 2011, beginning at 8:30 a.m., Central Daylight Time, in the Rosewood Crescent Hotel, Salons A/B, located at 400 Crescent Court, Dallas, Texas, and at any adjournment(s) or postponement(s) thereof. We are first mailing the proxy statement and proxy card to holders of MoneyGram capital stock on or about April 8, 2011.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 11, 2011**

The Notice of Annual Meeting, proxy statement and 2010 Annual Report on Form 10-K are available at www.moneygram.com.

Who May Vote/Voting Rights

MoneyGram has three classes of capital stock outstanding: common stock, Series B Participating Convertible Preferred Stock (the B Stock) and Series B-1 Participating Convertible Preferred Stock (the B-1 Stock, and, together with the B Stock, the Series B Stock).

Holders of MoneyGram common stock and B Stock at the close of business on April 1, 2011 (the record date) are entitled to receive the Notice of Annual Meeting and vote their shares at the meeting. On the record date, 83,710,522 shares of common stock, 495,000 shares of B Stock and 272,500 shares of B-1 Stock were outstanding. As of the record date, the 495,000 shares of B Stock are convertible into 287,123,158 shares of common stock, and the 272,500 shares of B-1 Stock are convertible into 158,063 shares of Series D Participating Convertible Preferred Stock (the D Stock), which are convertible by a holder other than The Goldman Sachs Group, Inc. and its affiliates (the Goldman Sachs Group), into 158,062,749 shares of common stock. Each share of B-1 Stock will automatically convert into one share of B Stock upon transfer to any holder other than the Goldman Sachs Group.

Our stockholders holding Series B Stock would own approximately 84.2 percent of our common stock on a diluted basis upon conversion of their Series B Stock. The B-1 Stock is non-voting stock except for the rights to vote on limited matters specified in the Certificate of Designations, Preferences and Rights of the B-1 Stock of the Company, none of which are being presented for a vote at this meeting.

A holder of common stock is entitled to one vote for each share of common stock held on the record date for each of the proposals set forth herein. The holders of our B Stock are entitled to vote on all matters voted on by holders of our common stock, voting as a single class with the common stockholders. The holders of our B Stock have a number of votes equal to the number of shares of common stock issuable if all outstanding shares of B Stock were converted plus the number of shares of common stock issuable if all outstanding shares of B-1 Stock were converted into B Stock and subsequently converted into common stock on the record date. Thus, the holders of our B Stock effectively hold approximately 84.2 percent of the voting power of our stock, voting as a single class with the common stockholders. There is no cumulative voting.

How You May Vote

You are entitled to vote at the meeting if you are a stockholder of record of common stock or B Stock on the record date. You may vote in person at the meeting, by automated telephone voting, on the Internet or by proxy.

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How You May Revoke or Change Your Vote

Proxies may be revoked or changed if you:

deliver a signed, written revocation letter, dated later than the proxy, to MoneyGram International, Inc., 2828 North Harwood Street, 15th Floor, Dallas, Texas 75201, Attention: Corporate Secretary;

deliver a signed proxy, dated later than the prior proxy, to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717;

vote again by telephone or on the Internet prior to the meeting; or

attend the meeting and vote in person rather than by proxy. Your attendance at the meeting will not revoke your proxy unless you choose to vote in person.

Costs of Solicitation

The cost of solicitation, if any, will be borne by MoneyGram. Proxies may be solicited on our behalf by directors, officers or employees, in person or by telephone, electronic transmission and facsimile transmission. No additional compensation will be paid to such persons for such solicitation. MoneyGram will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to beneficial owners of shares.

Difference between a Stockholder of Record and a Beneficial Owner of Shares Held in Street Name

If your shares are registered in your name with MoneyGram's transfer agent, Wells Fargo Shareowner Services, you are the stockholder of record of those shares. In such case, this Notice of Annual Meeting and proxy statement and any accompanying documents have been provided directly to you by MoneyGram.

If your shares are not registered in your own name and, instead, your broker, bank, trust or other nominee holds your shares, you are a beneficial owner of shares held in street name. The organization holding your account is considered the stockholder of record for purposes of voting at the annual meeting. This Notice of Annual Meeting and proxy statement and any accompanying documents have been forwarded to you by your broker, bank, trust or other nominee. As the beneficial owner, you have the right to direct your broker, bank, trust or other nominee how to vote your shares by using the voting instruction card or by following their instructions for voting by telephone or on the Internet.

Votes Required/Voting Procedures

The presence at this annual meeting of stockholders, in person or by proxy, of a majority of voting power of our common stock and B Stock issued and outstanding and eligible to vote will constitute a quorum for the transaction of business at the meeting. In general, shares of common stock and B Stock either represented in person at the meeting or by a properly signed and returned proxy card, or properly voted by telephone or on the Internet, will be counted as present and entitled to vote at the meeting for purposes of determining the existence of a quorum. Proxies received but marked as abstentions (or withhold authority with respect to one or more directors) and broker non-votes will be included in the voting power considered to be present at the meeting for purposes of determining a quorum. Broker non-votes are shares held of record by a broker that are not voted on a matter because the broker has not received

voting instructions from the beneficial owner of the shares and the broker either lacks or declines to exercise the authority to vote the shares in its discretion.

Proxies will be voted as specified by the stockholder. Signed proxies that lack any specification will be voted (i) FOR each of the Board's director nominees, (ii) FOR the amendment to the MoneyGram International, Inc. 2005 Omnibus Incentive Plan, (iii) FOR the ratification of Deloitte & Touche LLP (Deloitte) as our independent registered public accounting firm for 2011, (iv) FOR approval of the advisory vote on executive compensation and (v) to recommend future advisory votes on executive

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compensation to occur EVERY THREE YEARS. Notwithstanding the foregoing, proxies corresponding to shares held through the MoneyGram International, Inc. 401(k) Plan (the 401(k) plan) will be voted as described below. The proxy holders will use their best judgment with respect to any other matters properly brought before the meeting. If a nominee cannot or will not serve as a director, the proxy may be voted for another person as the proxy holders decide.

Unless you provide voting instructions to any broker holding shares on your behalf, your broker may not use discretionary authority to vote your shares on any of the matters to be considered at the annual meeting other than the ratification of our independent registered public accounting firm. Please vote your proxy so your vote can be counted.

Election of Directors (Proposal 1). Each director nominee receiving a majority of the voting power of the then outstanding common stock and B Stock, voting together as a single class, voted with respect to the director, will be elected as a director. This means that the voting power of the stock voted FOR a director nominee must exceed the voting power of the stock voted AGAINST that director nominee in order for that nominee to be elected as a director. Shares not represented at the meeting and proxies marked ABSTAIN have no effect on the election of directors. Affiliates of Thomas H. Lee Partners, L.P. (THL) have indicated their intent to vote all of their shares, which represent approximately 84.2 percent of the voting power of our stock voting together as a single class, FOR each of the director nominees at this annual meeting of stockholders.

Approval of Amendment to 2005 Omnibus Incentive Plan (Proposal 2). The affirmative vote of a majority of the voting power of the then outstanding common stock and B Stock, voting together as a single class, voted with respect to this proposal is required for the approval of this proposal, provided the total number of shares that vote on the proposal represents a majority of the shares of common stock and B Stock outstanding on the record date. A proxy marked ABSTAIN with regard to this proposal will have the effect of a vote against this proposal. Affiliates of THL have indicated their intent to vote all of their shares, which represent approximately 84.2 percent of the voting power of our stock voting together as a single class, FOR the amendment to the 2005 incentive plan at this annual meeting of stockholders.

Ratification of Appointment of Independent Registered Public Accounting Firm for 2011 (Proposal 3). The affirmative vote of a majority of the voting power of the then outstanding common stock and B Stock, voting together as a single class, voted with respect to this proposal is required for the approval of this proposal. Shares not represented at the meeting and proxies marked ABSTAIN with regard to this proposal have no effect on this proposal. Affiliates of THL have indicated their intent to vote all of their shares, which represent approximately 84.2 percent of the voting power of our stock voting together as a single class, FOR the ratification of appointment of our independent registered public accounting firm for 2011 at this annual meeting of stockholders.

Advisory Vote on Executive Compensation (Proposal 4). The affirmative vote of a majority of the voting power of the then outstanding common stock and B Stock, voting together as a single class, voted with respect to this proposal is required to approve, on an advisory basis, the overall executive compensation policies and procedures employed by MoneyGram for its named executive officers. Shares not represented at the meeting and proxies marked ABSTAIN have no effect on this proposal. While the outcome of the vote on this proposal will not be binding on the Board, the Board will review and consider the voting results when determining future executive compensation decisions. Affiliates of THL have indicated their intent to vote all of their shares, which represent approximately 84.2 percent of the voting power of our stock voting together as a single class, FOR the approval of our executive compensation at this annual meeting of stockholders.

Advisory Vote on Frequency of Advisory Vote on Executive Compensation (Proposal 5). The affirmative vote of a majority of the voting power of the then outstanding common stock and B Stock, voting together as a single class, voted with respect to this proposal is required for state law purposes to approve, on an advisory basis, the frequency of future advisory votes on executive compensation. Stockholders will be able to choose from among four options in

connection with this proposal, namely whether future stockholder votes to approve executive compensation policies and procedures should occur every year,

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every two years or every three years or whether the stockholder abstains from voting. Shares not represented at the meeting and proxies marked **ABSTAIN** have no effect on this proposal. While the outcome of the vote on this proposal will not be binding on the Board, the Board will review and consider the voting results when determining the frequency of future advisory votes on executive compensation. If one of the voting options is not adopted by the required vote of the stockholders, the Board will evaluate the votes cast for each of the voting options and will deem the voting option receiving the greatest number of votes to be the voting option approved by the stockholders. Affiliates of THL have indicated their intent to vote all of their shares, which represent approximately 84.2 percent of the voting power of our stock voting together as a single class, **FOR** the option of every three years for future advisory votes on executive compensation at this annual meeting of stockholders.

If you hold your shares in street name and do not provide voting instructions to your broker, the shares may be counted as present at the meeting for the purpose of determining a quorum and may be voted on Proposal 3 at the discretion of your broker. Such shares will not be voted at the discretion of your broker on Proposals 1, 2, 4 and 5 and will have no effect on the outcome of those proposals, except with respect to Proposal 2 in the event that such shares are needed to satisfy the requirement that the total number of shares voted on such proposal represents a majority of the shares of common stock and B Stock outstanding as of the record date, in which case such failure to provide voting instructions to your broker will have the effect of a vote against Proposal 2.

If you are a participant in MoneyGram's 401(k) plan, your proxy will serve as a voting instruction to the Independent Fiduciary (as defined in the 401(k) plan). The Independent Fiduciary shall instruct the Trustee. The Independent Fiduciary shall follow each participant's instructions unless it determines that doing so would be contrary to the Employee Retirement Income Security Act of 1974, as amended (ERISA). If no voting instructions are received from a participant in the 401(k) plan, the Trustee will vote those shares in accordance with the majority of shares voted in the 401(k) plan for which instructions were received, unless the Independent Fiduciary determines that doing so would be contrary to ERISA and instructs the Trustee to vote such shares differently. Your proxy must be received no later than 11:59 p.m., Eastern Time, on May 8, 2011 so that the Trustee has adequate time to tabulate the voting instructions.

Reducing Duplicate Mailings

Because many stockholders hold shares of our common stock in multiple accounts or share an address with other stockholders, stockholders may receive duplicate mailings of notices or proxy materials. Stockholders may avoid receiving duplicate mailings as follows:

Stockholders of Record. If your shares are registered in your own name and you are interested in consenting to the delivery of a single notice or single set of proxy materials, you may contact Broadridge Householding Department by phone at 1-800-579-1639 or by mail to Broadridge Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

Beneficial Stockholders. If your shares are not registered in your own name, your broker, bank, trust or other nominee that holds your shares may have asked you to consent to the delivery of a single notice or single set of proxy materials if there are other MoneyGram stockholders who share an address with you. If you currently receive more than one copy of the notice or proxy materials at your household and would like to receive only one copy in the future, you should contact your nominee.

Right to Request Separate Copies. If you consent to the delivery of a single notice or single set of proxy materials but later decide that you would prefer to receive a separate copy of the notice or proxy materials, as applicable, for each stockholder sharing your address, then please notify Broadridge Householding Department or your nominee, as applicable, and they will promptly deliver the additional notices or proxy

materials. If you wish to receive a separate copy of the notice or proxy materials for each stockholder sharing your address in the future, you may also contact Broadridge Householding Department by phone at 1-800-579-1639 or by mail to Broadridge Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

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PART TWO

BOARD OF DIRECTORS AND GOVERNANCE

2008 Recapitalization

On March 25, 2008, MoneyGram completed a recapitalization transaction (the 2008 Recapitalization) pursuant to the terms of an amended and restated purchase agreement (the Purchase Agreement), dated as of March 17, 2008, with THL and affiliates of Goldman, Sachs & Co. (Goldman Sachs, and, together with THL, the Investors). Pursuant to the Purchase Agreement, we, among other things, sold 495,000 shares of B Stock to THL and 265,000 shares of B-1 Stock to Goldman Sachs for an aggregate purchase price of \$760.0 million. In addition, the Company paid \$7.5 million of transaction costs relating to the issuance of the Series B Stock through the issuance of 7,500 shares of B-1 Stock to Goldman Sachs. The issuance of the Series B Stock gave the Investors an initial equity interest of approximately 79 percent. For additional information regarding the 2008 Recapitalization, the Purchase Agreement, the terms of the Series B Stock and related matters, see Part Four Other Important Information Transactions with Related Persons in this proxy statement.

Proposed 2011 Recapitalization

On March 7, 2011, MoneyGram entered into a Recapitalization Agreement (the Recapitalization Agreement) with THL, as the holder of all of the B Stock, and Goldman Sachs, as the holder of all of the B-1 Stock. Pursuant to the Recapitalization Agreement, (i) THL will convert all of the shares of B Stock into shares of our common stock in accordance with the Certificate of Designations, Preferences and Rights of Series B Participating Convertible Preferred Stock of MoneyGram International, Inc., (ii) Goldman Sachs will convert all of the shares of B-1 Stock into shares of Series D Participating Convertible Preferred Stock of the Company, which shares are substantially equivalent to our common stock for accounting purposes (the D Stock), in accordance with the Certificate of Designations, Preferences and Rights of Series B-1 Participating Convertible Preferred Stock of MoneyGram International, Inc., and (iii) THL will receive approximately 28.2 million additional shares of our common stock and \$140.8 million in cash, and Goldman Sachs will receive approximately 15,504 additional shares of D Stock (equivalent to approximately 15.5 million shares of our common stock) and \$77.5 million in cash (such transactions, collectively, the 2011 Recapitalization).

The 2011 Recapitalization has been approved unanimously by our board of directors following the recommendation of a special committee of the board of directors comprised of independent and disinterested members of our board of directors, and is subject to various conditions contained in the Recapitalization Agreement, including stockholder approval of the 2011 Recapitalization or any other matter that requires approval under the Recapitalization Agreement. For additional information regarding the 2011 Recapitalization and related matters, see Part Four Other Important Information Transactions with Related Persons in this proxy statement.

Board Representation

Pursuant to the Purchase Agreement, the Investors have been provided with certain rights with respect to representation on the Board and committees of the Board (Board Representatives), which resulted in a change to the composition of the majority of the Board in March 2008. Additionally, under the Purchase Agreement, as long as the Investors have a right to designate directors to our Board, Goldman Sachs has the right to designate one director who would have one vote and THL has the right to designate two to four directors who each have equal votes and who are to have such number of votes equal to the number of directors as is proportionate to the Investors' common stock

ownership, calculated on a fully-converted basis assuming the conversion of all shares of Series B Stock into common stock, minus the one vote of the director designated by Goldman Sachs. Therefore, each director designated by THL has multiple votes and each other director has one vote. To date, Goldman Sachs has not designated a member to the Board. The Board has, however, consented to the general attendance by two

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representatives of Goldman Sachs to observe at Board meetings as required pursuant to agreements in connection with the 2008 Recapitalization.

Board Structure and Composition

The Company's Amended and Restated Certificate of Incorporation provides that each director of the Company is elected for a one-year term by the vote of a majority of the voting power of the then outstanding voting stock, voting together as a single class, voted with respect to the director. Subject to certain rights of holders of preferred stock, the number of directors on the Board shall be fixed by a majority of the whole Board, but shall not be more than seventeen nor less than three. If a vacancy occurs during the year, including as a result of an increase in the authorized number of directors, the vacant directorship may be filled by the affirmative vote of a majority of the remaining directors for a term expiring at the next annual meeting of stockholders, subject to certain rights provided to the Investors under the Purchase Agreement. Each director holds office until a successor has been duly elected and qualified.

The Board of Directors is currently comprised of nine members: four Independent Directors (as defined below), four Board Representatives and Pamela H. Patsley, Chairman and Chief Executive Officer (CEO) of the Company. J. Coley Clark, Victor W. Dahir, Ann Mather and W. Bruce Turner were elected to the Board of Directors at the Company's 2010 Annual Stockholder Meeting and currently serve as Independent Directors on the Board. An Independent Director means a director or director nominee who satisfies all standards for independence under the New York Stock Exchange, Inc. (NYSE) listing standards, the standards for independence contained in our Corporate Governance Guidelines and any other applicable laws. Thomas M. Hagerty, Scott L. Jaeckel, Seth W. Lawry and Ganesh B. Rao currently serve as Board Representatives, pursuant to the rights of the Investors under the Purchase Agreement. Pamela H. Patsley, the Company's CEO, serves as our Chairman of the Board. Each of the Company's current directors is seeking reelection at the 2011 annual meeting of stockholders. Information about the nominees for election is set forth in Part Three Proposals to be Voted on at the 2011 Annual Meeting Proposal 1: Election of Directors in this proxy statement.

Director Independence

Because more than 50 percent of the voting power of our stock is held by the Investors, the Company has elected to be treated as a controlled company for purposes of the NYSE listing standards. As a result, the NYSE listing standards do not require our Board to be comprised of at least a majority of Independent Directors or our Human Resources and Nominating Committee to be comprised entirely of Independent Directors. The NYSE listing standards do, however, require our Audit Committee to be comprised entirely of Independent Directors. The NYSE listing standards also require our Board to make a formal determination each year as to which of our directors are independent.

The Board has determined that the following director nominees are independent within the meaning of the NYSE listing standards, applicable Securities and Exchange Commission (SEC) regulations and the standards for independence contained in our Corporate Governance Guidelines: Ms. Mather and Messrs. Clark, Dahir and Turner. The Board has adopted standards to assist in the making of determinations of independence. The following commercial or charitable relationships will not be considered to be material relationships that would impair a director's (or director nominee's) independence: (a) if the director (or director nominee) is an executive officer or employee, or their immediate family member is an executive officer, of another company that does business with MoneyGram or its affiliates and the annual sales to, or purchases from, MoneyGram or its affiliates are less than the greater of \$1.0 million or one percent of the other company's annual consolidated gross revenues; (b) if the director (or director nominee) is an executive officer of another company which is indebted to MoneyGram, or to which MoneyGram is indebted, and the total amount of either company's indebtedness to the other is less than one percent of the total consolidated assets of the company that he or she serves as an executive officer; or (c) if the director (or director

nominee) serves as an officer, director or trustee of a charitable organization and MoneyGram's annual charitable contributions to the

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organization are less than the greater of \$200,000 or one percent of that organization's total annual charitable receipts, which shall not include MoneyGram's automatic matching of director charitable contributions.

Board Meetings

The Board held six meetings during 2010. Each director attended at least 75 percent of the aggregate number of meetings of the Board and meetings of the committees on which the director served.

Attendance at Annual Stockholder Meetings

Under our Corporate Governance Guidelines, directors are expected to attend the annual meeting of stockholders, Board meetings and meetings of committees on which they serve. Each director attended the 2010 annual meeting of stockholders.

Meetings of Non-Management Directors

The Board schedules regular executive sessions of the non-management directors. The Board chooses one of its members to preside over each executive session of non-management directors. In 2010, the Board held four executive sessions of the non-management directors, which included all directors except Ms. Patsley.

Meetings of and Voting by Independent Directors

Pursuant to our Corporate Governance Guidelines and the NYSE listing standards, the Board schedules an executive session of the Independent Directors at least annually. In 2010, the Board held one executive session of the Independent Directors. In addition, our Independent Directors met several times in 2010 in connection with their service on a special committee that was established in connection with the Company's consideration of the proposed 2011 Recapitalization.

In accordance with the Certificates of Designations, Preferences and Rights of the Series B Stock, the Independent Directors determine quarterly whether dividends on the Series B Stock should be paid in cash or accrued by the Company. In addition, the Independent Directors are required to approve the redemption of the Series B Stock by the Company and any adjustment for unspecified action by the Company that would materially adversely affect the conversion rights of the holders of shares of the Series B Stock.

Board Leadership Structure

The Company does not have a lead independent director. The Board does, however, choose one non-management director to preside over each executive session of non-management directors. The Company has at various points in its history had a combined Chairman and CEO, and has also maintained separate Chairman and CEO positions. In September 2009, the Board appointed Ms. Patsley to serve as Chairman and CEO of the Company. At this time, we believe that a combined Chairman and CEO is the most desirable approach for the Company because it creates efficiencies and enables the CEO to act as a bridge between management and the Board, thereby promoting a unified approach to the development and execution of the Company's strategy.

Board's Role in Risk Oversight

The Board of Directors is responsible for providing oversight of risk management functions including the Company's policies and strategies relating to the management of credit, liquidity, market, financial and operational risks. The Board regularly assesses management's response to critical risks and recommends changes to management, including

changes in leadership, where appropriate.

In addition to regularly scheduled Board meetings, the entire Board of Directors meets periodically with key members of management to review the Company's business and agree upon its strategy and the

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risks involved with such strategy. Management and the Board discuss the amount of risk the Company is willing to accept related to implementing our strategy. On a periodic basis throughout the year, management responsible for managing credit, liquidity, market, financial and key operational risks including legal, regulatory compliance, fraud, information technology and security meet directly with the full Board to provide an update on key risks and their processes and systems to manage the risk. The Board approves management's policies related to key risk areas and provides timely input to management regarding risk issues and the appropriateness of management's response. The Board also approves actions surrounding our debt agreements, dividend and interest payments, and legal settlements, evaluates potential acquisitions, and approves the annual budget. Key finance, accounting and treasury management meet directly with the full Board to provide an update on our financial results.

The Board of Directors delegates responsibility for overseeing certain risk to the Audit Committee. The Audit Committee monitors the quality and integrity of our financial statements and our compliance with legal and regulatory requirements. The Audit Committee is also responsible for understanding risk assessment and risk management policies. The internal audit function reports directly to the Audit Committee and is responsible for testing, on a risk basis, management's compliance with policies and procedures. On an annual basis, the Audit Committee reviews internal audit's process for assessing risk and the results of such risk assessment. The Audit Committee also reviews and approves the annual audit plan and regularly reports to the Board. For additional information with respect to the Audit Committee, see Part Two Board of Directors and Governance Audit Committee in this proxy statement.

The Company believes that its current leadership structure, which combines the role of Chairman and CEO, as discussed above, promotes effective oversight of the Company's risk management by providing united leadership through a single person, while allowing all directors to be actively involved in the risk oversight function and fully engaged in discussions with management and Board deliberations and decisions.

Board Committees

The Board currently maintains two standing committees: the Audit Committee and Human Resources and Nominating Committee. As a controlled company under the NYSE listing standards, MoneyGram is not required to maintain independent compensation and nominating committees.

Audit Committee

The Audit Committee currently consists of Ms. Mather (Chair), and Messrs. Dahir and Turner. Albert M. Teplin, Jess T. Hay and Othón Ruiz Montemayor served on the Audit Committee until the conclusion of their Board service in May 2010, at which time they were replaced with the current members.

The Audit Committee has been established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (Exchange Act). Membership on the Audit Committee is limited to Independent Directors, and the Board has determined that each member of that committee is an Independent Director. The Board has determined that all members of the Audit Committee are financially literate under the NYSE listing standards and that Ms. Mather and Mr. Dahir qualify as audit committee financial experts under the rules of the SEC. From July 2010 until December 2010, Ms. Mather served on the audit committee of three other publicly traded companies. The Company's Board determined that such simultaneous service did not impair the ability of Ms. Mather to effectively serve on the Company's Audit Committee. Ms. Mather is currently serving on the audit committee of two other publicly traded companies. No other member of the Audit Committee simultaneously served on the audit committee of more than three public companies during 2010.

The Audit Committee held 12 meetings in 2010. The Board has adopted a separate written charter for the Audit Committee, which is available in the Investor Relations section of our website at www.moneygram.com. A copy of

the Audit Committee charter is also available in print to any stockholder who submits a request to MoneyGram International, Inc., 2828 North Harwood Street, 15th Floor, Dallas, Texas 75201, Attention: Corporate Secretary.

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The Audit Committee reports regularly to the full Board and annually evaluates its own performance. The Audit Committee meets periodically during the year, usually in conjunction with regular meetings of the Board. It also meets to review quarterly earnings and related press releases and to review management's discussion and analysis of financial condition and results of operation for inclusion in our quarterly reports on Form 10-Q and our annual report on Form 10-K filed with the SEC. The Audit Committee appoints our independent registered public accounting firm and assists the Board in monitoring the quality and integrity of our financial statements, our compliance with legal and regulatory requirements and the independence and performance of our internal auditor and our independent registered public accounting firm. The Audit Committee meets regularly in executive session with our independent registered public accounting firm. The independent registered public accounting firm reports directly to the Audit Committee, and the head of the Company's internal audit function reports directly to the Audit Committee Chair. For additional information regarding the responsibilities of the Audit Committee, see Part Two Board of Directors and Governance Board's Role in Risk Oversight in this proxy statement.

Human Resources and Nominating Committee

The Human Resources and Nominating Committee currently consists of Messrs. Lawry (Chair), Clark and Jaeckel. Mr. Hay served on the Human Resources and Nominating Committee until the conclusion of his Board service in May 2010, at which time he was replaced with Mr. Clark.

The Human Resources and Nominating Committee held seven meetings in 2010. The Board has adopted a separate written charter for the Human Resources and Nominating Committee, which is available in the Investor Relations section of our website at www.moneygram.com. A copy of the Human Resources and Nominating Committee charter is also available in print to any stockholder who submits a request to MoneyGram International, Inc., 2828 North Harwood Street, 15th Floor, Dallas, Texas 75201, Attention: Corporate Secretary.

The Human Resources and Nominating Committee reports regularly to the full Board and annually evaluates its own performance. It meets periodically during the year, usually in conjunction with regular meetings of the Board. The Human Resources and Nominating Committee oversees development and implementation of a compensation strategy designed to enhance profitability and fundamental value for the Company. It also reviews and approves the salary and other compensation of the Chairman and CEO and our other executive officers, as well as the compensation and benefits of our non-employee directors. The Human Resources and Nominating Committee determines incentive compensation targets and awards under various compensation plans and makes grants of stock options and other awards under our stock incentive plans. The Human Resources and Nominating Committee also approves the grant of equity compensation to employees of the Company, although it may delegate this authority to the CEO for the recruitment and retention grants of equity compensation to non-executive officers. The Human Resources and Nominating Committee currently utilizes the services of Aon Hewitt Consulting (Hewitt) as its compensation consultant. In 2010, Hewitt assisted the Human Resources and Nominating Committee with an evaluation of the Company's peer group and executive compensation matters. For additional information regarding our compensation consultant, see Role of Compensation Consultant under Part Four Other Important Information Compensation Discussion and Analysis Authority Over and Responsibility for Executive Compensation in this proxy statement.

The Human Resources and Nominating Committee is also responsible for recommending to the Board a slate of directors for election by the stockholders at each annual meeting and for proposing candidates to fill any vacancies on the Board. The Human Resources and Nominating Committee is also responsible for assessing the Board's performance and reviewing our Corporate Governance Guidelines. The Human Resources and Nominating Committee may form subcommittees and delegate authority to such subcommittees when appropriate and when unanimously approved by the Human Resources and Nominating Committee.

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Compensation Committee Interlocks and Insider Participation

No member of the Company's Human Resources and Nominating Committee is a current or former officer or employee of the Company. During the year ended December 31, 2010, none of our executive officers served as a director or member of the compensation committee (or other committee performing similar functions) of another entity when an executive officer of such entity served as a director of the Company or on our Human Resources and Nominating Committee.

Communications with the Board

Stockholders or other interested parties may communicate with our non-management directors as a group, committees of the Board or individual directors by sending a writing to MoneyGram International, Inc., 2828 North Harwood Street, 15th Floor, Dallas, Texas 75201, Attention: Corporate Secretary. Upon receipt, the Corporate Secretary will forward all such correspondence, as appropriate. Complaints and concerns regarding MoneyGram may also be reported anonymously and confidentially via MoneyGram's Ethics Line at 800-494-3554. Our Policy on Communications with the Board is contained in our Corporate Governance Guidelines, which are posted in the Investor Relations section of our website at www.moneygram.com. Copies of the Guidelines are also available in print to any stockholder who submits a request to MoneyGram International, Inc., 2828 North Harwood Street, 15th Floor, Dallas, Texas 75201, Attention: Corporate Secretary.

Director Nominee Criteria and Process

Our Corporate Governance Guidelines describe the process for selection of director nominees, including desired qualifications. Although there are no minimum qualifications for nominees, a candidate for Board service must possess the ability to apply good business judgment, have demonstrated the highest level of integrity, be able to properly exercise the duties of loyalty and care in the representation of the interests of our stockholders and must be able to represent all of our stockholders fairly and equally. Candidates should also exhibit proven leadership capabilities, and experience in business, finance, law, education, technology or government. In addition, candidates should have an understanding of major issues facing public companies similar in scope to MoneyGram. Experience in payment or financial services is an added benefit. Candidates must have, and be prepared to devote, adequate time to the Board and its committees. Although no formal policy exists, the Human Resources and Nominating Committee seeks to promote through the nomination process an appropriate diversity of experience (including international experience), expertise, perspective, age, gender and ethnicity, and includes such diversity considerations when appropriate in connection with potential nominees. The Board will also consider the independence of a nominee under the NYSE listing standards, applicable SEC regulations and the Board's standards for independence contained in our Corporate Governance Guidelines.

In general, candidates for membership as Independent Directors are evaluated, regardless of the source of the nomination, by the Human Resources and Nominating Committee for recommendation to the Board in accordance with its charter and the procedures described in the Corporate Governance Guidelines. However, so long as the Investors or their affiliates own, in the aggregate, Series B Stock, D Stock or common stock representing an initial cost of not less than \$75 million, they are entitled to nominate and cause the Company to appoint replacements for their respective Board Representatives.

A stockholder who wishes to nominate a person for the election of directors must ensure that the nomination complies with our Bylaw provisions on making stockholder proposals at an annual meeting. For information regarding stockholder proposals for our 2012 annual meeting of stockholders, see the section entitled Part Four Other Important

Information Stockholder Proposals for the 2012 Annual Meeting in this proxy statement.

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Other Corporate Governance Matters

Corporate Governance Guidelines. Our Board has adopted Corporate Governance Guidelines that describe corporate values and ethical business conduct, duties of directors, Board operations and committee matters, director qualifications and selection process, director compensation, director independence standards, CEO evaluation, management succession, process for stockholders or other interested parties to communicate with directors and annual Board evaluations. The Guidelines are available in the Investor Relations section of our website at www.moneygram.com. Copies of the Guidelines are also available in print to any stockholder who submits a request to MoneyGram International, Inc., 2828 North Harwood Street, 15th Floor, Dallas, Texas 75201, Attention: Corporate Secretary.

Code of Ethics. All of our directors and employees, including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions, are subject to our Code of Ethics, our Always Honest Policy and the provisions regarding corporate values and ethical business conduct contained in our Corporate Governance Guidelines. These documents are available in the Investor Relations section of our website at www.moneygram.com. Copies of these documents are also available in print to any stockholder who submits a request to MoneyGram International, Inc., 2828 North Harwood Street, 15th Floor, Dallas, Texas 75201, Attention: Corporate Secretary. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to, or waiver from, our Code of Ethics and our Always Honest Policy by posting such information on our website.