DST SYSTEMS INC
Form DEF 14A
March 16, 2011

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 ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

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

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

DST Systems, Inc.

(Name of Registrant as Specified In Its Charter)

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

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(4) Date Filed:

333 West 11th Street
Kansas City, MO 64105

DST SYSTEMS, INC.
NOTICE AND PROXY STATEMENT
for
Annual Meeting of Stockholders

Tuesday, May 10, 2011

YOUR VOTE IS IMPORTANT

You have received information on casting your vote. We began delivering annual meeting materials, or Notice of Internet Availability of Proxy Materials, on or about March 21, 2011.

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DST Systems, Inc.
333 West 11th Street
Kansas City, Missouri 64105

Proxy Statement
and
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

We invite you to attend our annual meeting of stockholders.

Place: Our principal executive offices:
333 West 11th Street, 3rd floor
Kansas City, Missouri

Time: 10:30 a.m., Central Daylight Time

Date: Tuesday, May 10, 2011

Stockholders will consider and vote upon the following matters:

Election of the Company's nominees for Director, each to serve a three-year term expiring upon the 2014 Annual Meeting of Stockholders or until a successor is duly elected and qualified

Ratification of the Audit Committee's Selection of Independent Registered Public Accounting Firm

Non-binding, Advisory Vote on Named Officer Compensation ("Say on Pay")

Non-binding, Advisory Vote on the Frequency of Future Say on Pay Voting

The record date for determining which stockholders may vote at this meeting or any adjournment is March 11, 2011. We will provide the recordholder list during the annual meeting if any stockholder wishes to examine it for any purpose pertaining to the meeting. We will make the list available during regular business hours at the above address for the ten-day period before the annual meeting.

Please vote your shares, regardless of whether you plan to attend the meeting, by following the voting instructions. Whether you vote by telephone, through the Internet, or by mail, you are authorizing the Proxy Committee (and/or the trustee of DST benefit plans or any broker or nominee through which you hold shares) to vote as you specify on the proposals. You are also authorizing them to vote in their discretion on other proposals a stockholder properly brings before the meeting. If you hold shares on behalf of an estate or corporation, in some other legal capacity or jointly, you confirm by voting that you have the authority to vote on behalf of all owners of the shares.

If you need assistance at the annual meeting because of a disability, please let us know by May 2, 2011, at (816) 435-8655.

By Order of the Board of Directors,

Randall D. Young
Vice President, General Counsel and Secretary

The date of this Notice is March 21, 2011.

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DST Systems, Inc.
333 West 11th Street
Kansas City, Missouri 64105

PROXY STATEMENT

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2011 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 10, 2011: THE PROXY STATEMENT FOR SUCH MEETING AND THE ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2010 ARE AVAILABLE AT *www.edocumentview.com/DST.*

PROXY STATEMENT

On or about March 21, 2011, we began delivering to you, our stockholders of record at the close of business on March 11, 2011 (our record date), this Proxy Statement for our 2011 annual stockholders' meeting and our Annual Report on Form 10-K for the fiscal year ended December 31, 2010. We mailed full sets of the materials to our stockholders of record, other than stockholders of record who have consented to receive the materials electronically and employees with workplace email accounts. We delivered a Notice of Internet Availability of Proxy Materials to our stockholders holding through brokers or other nominees.

We will hold the annual meeting at 10:30 a.m. Central Daylight Time on Tuesday, May 10, 2011, at our principal executive offices, 333 West 11th Street, 3rd Floor, Kansas City, Missouri 64105. At the meeting, our Board of Directors will present four proposals and solicit your vote on them. You may vote on the proposals if you own our common stock, par value $.01 per share, on the record date. We have listed our common stock, our only class of voting securities ("DST stock"), on the New York Stock Exchange.

Our Board asks that you vote for the Board nominees for director. Our Board also asks that, on a non-binding basis, you vote for ratification of the Audit Committee's selection of our independent registered public accounting firm, vote for advising the Board that you approve the compensation of the officers named in the Summary Compensation Table on page 48 ("Say on Pay"), and select "1 year" to advise the Board that future Say on Pay voting should occur annually. We do not know of any other matters on which you will vote at the annual meeting. Recordholders may appoint the Proxy Committee as their proxy. The Proxy Committee members are Stephen C. Hooley, President and Chief Operating Officer; Kenneth V. Hager, Vice President, Chief Financial Officer and Treasurer; and Randall D. Young, Vice President, General Counsel and Corporate Secretary. The Proxy Committee will vote your shares as you direct.

This Proxy Statement contains a separate report by each of the Audit Committee and Compensation Committee of our Board. The two Board committee reports are "furnished," not "filed," for Securities Act of 1934 purposes. Within Board committee reports, "we," "ours," "us" or similar terms mean the committee giving the report. Otherwise, such words or "the Company" mean DST Systems, Inc. ("DST") and its subsidiaries.

This Proxy Statement references the Corporate Governance Guidelines, the Business Ethics and Legal Compliance Policy, and the charters of the Board's Audit Committee, Compensation Committee, and Corporate Governance/Nominating Committee ("Governance Committee"). You can access each of these documents at our website, *www.dstsystems.com.* We will furnish you a copy of any of these documents without charge, if you request in writing to:

DST Corporate Secretary
333 W. 11th Street, 5th Floor
Kansas City, MO 64105

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PROPOSAL 1
ELECT DIRECTORS

Our Bylaws divide our Board into three classes with class terms expiring each year in rotation. At each annual meeting, stockholders elect a class of directors for a full three-year term. Our Board asks you to elect nominee Lawrence M. Higby, as well as current directors George L. Argyros, Thomas A. McDonnell and M. Jeannine Strandjord, for a three-year term expiring in 2014 or until their successors are elected and qualified. They are willing to serve as directors.

The Board nominated Mr. Higby after considering his background and experiences described on page 8 and applying the nominating processes described on pages 20-21. The other nominees currently serve on the Board. Ambassador Argyros has served on our Board during two separate periods aggregating eight years. Mr. McDonnell has served on our Board for over 38 years. Ms. Strandjord has served on our Board for approximately 15 years.

Mr. McDonnell serves as our Chief Executive Officer, Ambassador Argyros serves as Chairman and Chief Executive Officer of Arnel & Affiliates, and Mr. Higby and Ms. Strandjord are retired from executive positions at other companies, all as further described in the Service and Qualifications section on page 6.

If any Board nominee should become unavailable for election, the Proxy Committee will vote for another nominee whom the Governance Committee will propose. Alternatively, the Board may reduce the number of directors to be elected at the meeting.

OUR BOARD RECOMMENDS THAT
YOU VOTE FOR THE ELECTION OF ALL
BOARD NOMINEES

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PROPOSAL 2
RATIFY THE AUDIT COMMITTEE'S SELECTION
OF PRICEWATERHOUSECOOPERS

The Audit Committee has selected PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2011. Our Board requests stockholders to ratify such selection.

PricewaterhouseCoopers will:

- audit our consolidated financial statements and internal control over financial reporting
- review certain reports we will file with the Securities and Exchange Commission
- provide you and our Board with certain reports
- provide such other services as the Audit Committee and its Chairperson from time to time determine.

PricewaterhouseCoopers served as our independent registered public accounting firm for 2010, performing professional services for us. We expect representatives of PricewaterhouseCoopers to attend the annual meeting. We will allow them to make a statement if they desire and to respond to appropriate questions.

The Audit Committee is responsible for selecting the Company's independent registered public accounting firm for 2011. Accordingly, stockholder approval is not required to appoint PricewaterhouseCoopers as the Company's independent registered public accounting firm. However, the Board of Directors believes that the submission of the Audit Committee's selection to the stockholders for ratification is a matter of good corporate governance. If the Company's stockholders do not ratify the selection of PricewaterhouseCoopers as the Company's independent registered public accounting firm, the Audit Committee will review its future selection of an independent registered public accounting firm. The Audit Committee may retain another independent registered public accounting firm at any time during the year if it concludes that such change would be in your best interest.

OUR BOARD RECOMMENDS THAT
YOU VOTE FOR THE RATIFICATION OF
THE AUDIT COMMITTEE'S SELECTION OF
PRICEWATERHOUSECOOPERS

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PROPOSAL 3
NON-BINDING, ADVISORY VOTE ON NAMED OFFICER COMPENSATION ("SAY ON PAY")

Recently enacted federal legislation requires that we include in this proxy statement a non-binding stockholder vote to advise on compensation of the officers named in the Summary Compensation table on page 48 (commonly referred to as "Say on Pay").

The Compensation Committee designs the compensation of the officers named in the Summary Compensation Table. The Committee believes that the design of named officer compensation, described in Compensation Discussion and Analysis on pages 26 through 46, serves the interests of the Company and its shareholders. It structures base salary, incentives, equity grants and other compensation elements to achieve various objectives, including aligning named officer and stockholder interests, attracting and retaining quality leadership, supporting a pay-for-performance philosophy, and maintaining a level of equity grants to avoid excess dilution and expense over time. The Compensation Discussion and Analysis details on pages 26 through 29 the objectives of each element of named officer compensation and on pages 32-33, 37, and 40-41 why and how the Committee selected each such element.

The Compensation Committee each year reviews and updates our named officer compensation program. In 2010, the Board adopted a formal stock ownership requirement for our Chief Executive Officer, described on page 43. The Compensation Committee has adopted a recoupment (also known as a clawback) policy for incentive and equity awards that applies to all awards made beginning in 2011, described on page 34, including incentives granted in 2011 for 2010 performance. The Committee has formally determined not to include golden parachute excise tax gross-up provisions in future executive employment agreements and has modified the 2005 Equity Incentive Plan to mandate three years as the minimum period for full vesting of time-based equity awards.

The Board believes that the named officer compensation program is appropriate and in the current and long-term interests of our stockholders. The Board strongly endorses the Company's named officer compensation program and recommends that the stockholders vote in favor of the following resolution:

"RESOLVED, that the compensation paid to the Company's named officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion included in this proxy statement, is hereby APPROVED.

Because the vote is advisory, it will not be binding upon the Board or the Compensation Committee, which will not be required to take any action as a result of the outcome of the vote. However, the Committee will consider the outcome of the vote when analyzing future named officer compensation arrangements.

OUR BOARD RECOMMENDS THAT
YOU APPROVE NAMED OFFICER COMPENSATION
ON AN ADVISORY, NON-BINDING BASIS

PROPOSAL 4
NON-BINDING, ADVISORY VOTE ON THE FREQUENCY OF FUTURE SAY ON PAY VOTING

You have the option to vote for whether the Say on Pay vote should occur every one, two or three years, or to abstain. The Board recommends that an advisory vote on named officer compensation should occur at annual intervals.

Although your advisory selection is non-binding, the Board and the Compensation Committee will take into account the outcome of the vote when considering the frequency of future advisory votes on named officer compensation. Regardless of the frequency of Say on Pay votes, the Company's stockholders have other opportunities to provide feedback on important matters including named officer compensation. For example, the rules of the New York Stock Exchange require the Company to seek stockholder approval for employee equity compensation plans and material revisions thereto. As discussed under "Independence and Accessibility," the Company provides stockholders an opportunity to communicate directly with the Board and the Compensation Committee, including on issues of named officer compensation.

OUR BOARD RECOMMENDS THAT
YOU VOTE FOR ANNUAL ADVISORY SAY ON PAY VOTING

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MEMBERS OF AND NOMINEES TO OUR BOARD

SERVICE AND QUALIFICATIONS

DST and Public Company Board Service. Thomas A. McDonnell is a DST executive officer. We do not employ the remaining directors and nominees listed in the table.

DIRECTORS AND NOMINEES	Age	Dates of Service on DST Board	Annual Meeting at Which Term Expires	Service on Committees of DST Board	Registered Investment Company Directorships and Public Company Directorships Other Than the Company(2)
A. Edward Allinson	76	September 1995 present April 1977 December 1990	2013	Audit Governance	
George L. Argyros	74	February 2006 present December 1998 November 2001 (when he resigned to serve as United States Ambassador to Spain)	2014(1)	Compensation Governance	First American Financial Corp Pacific Mercantile Bancorp
Michael G. Fitt Lead Independent Director	79	September 1995 present	2013	Audit Compensation Governance	
Robert T. Jackson	65	July 2007 present	2013	Audit (Chairperson) Compensation Governance	Artio Global Investors Inc.
Lawrence M. Higby	65	No Service to Date; Nominee	2014(1)		eHealth, Inc. Herbalife Ltd.
Thomas A. McCullough	68	January 1990 present	2012		Netspend Holdings, Inc.
Thomas A. McDonnell	65	June 1972 present	2014(1)		Euronet Worldwide, Inc. Kansas City Southern
William C. Nelson	73	January 1996 present	2012	Audit Compensation Governance (Chairperson)	Great Plains Energy Inc.
Travis E. Reed	76	July 2002 present	2012	Audit Compensation Governance	
M. Jeannine Strandjord	65	January 1996 present	2014(1)	Audit Compensation (Chairperson) Governance	Euronet Worldwide, Inc. Six registered investment companies that are part of American Century Funds

(1) Their terms will expire in 2014 if stockholders elect them at the 2011 annual meeting.

(2) Within the past five years, Messrs. Allinson and Fitt were also directors of Kansas City Southern, Mr. McDonnell was a director of Commerce Bancshares, Blue Valley Ban Corp., and Garmin Ltd., and Ms. Strandjord was a director of Charming Shoppes, Inc.

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Principal Occupations and Qualifications. The Board has concluded that each of its members and nominees is qualified to serve as a director due to the value of the following experiences, qualifications, attributes and skills:

A. EDWARD ALLINSON

Mr. Allinson was Executive Vice President of State Street Bank and Trust Company ("State Street Bank") and Executive Vice President of State Street Corporation ("State Street"), the parent company of State Street Bank, from March 1990 through December 1999. State Street is a financial services corporation that provides banking, trust, investment management, global custody, administration and securities processing services. From December 1999 through his retirement in October 2000, Mr. Allinson served as Chief Executive Officer and Chairman of the Board of EquiServe Limited Partnership, a stock transfer agent for publicly listed corporations which became, for a time, our wholly-owned subsidiary.

Mr. Allinson's extensive background as an executive in the financial services industry, the computer and data processing industry and transfer agency operations are uniquely suited to our businesses. He was one of the founders of Boston Financial Data Services ("Boston Financial"), our full service transfer agency joint venture with State Street. He therefore has a deep understanding of our core transfer agency operations and related service and technology offerings, as well as our customer base. He also brings to our Board skills related to our international businesses, which he developed through his experiences at both State Street Bank and another major national bank. He contributes to our Board his past experience as a director with Kansas City Southern, which owned all of our shares prior to our initial public offering in 1995. His long service as our director and as a director of our previous parent gives him invaluable insights into our history and growth and a unique perspective of the strategic direction of our businesses.

GEORGE L. ARGYROS

Except during his ambassadorship from November 2001 to November 2004, Ambassador Argyros has served from 1968 as Chairman and Chief Executive Officer of Arnel & Affiliates, a prominent West Coast diversified investment company, and from 1987 as a general partner and the principal financial partner in Westar Capital, a private investment company.

Ambassador Argyros' experiences operating a diversified investment company and a large real estate investment portfolio are helpful to Board evaluation of our diversification transactions and real estate related operations. Having owned and operated companies for more than 40 years, Ambassador Argyros also has experiences in banking, manufacturing, and corporate restructuring. He brings to our Board insight into various management, financial and governance matters developed by serving on numerous boards, both private and public. He has extensive experience with political and international matters as a result of his service as a United States ambassador.

MICHAEL G. FITT

Mr. Fitt was Chief Executive Officer and Chairman of GE Employers Reinsurance Corporation, a reinsurance company that has been acquired by the Swiss Re Group, from 1980 through 1992 and its President from 1979 through October 1991. He retired from GE Employers in 1992. Mr. Fitt's role as our Lead Independent Director is to fulfill the responsibilities described on page 12.

Mr. Fitt's past experiences, including a leadership position for one of the largest reinsurance companies in the world as well as other executive positions in a major financial company, provide the Board with seasoned judgment in the evaluation of our senior executives and management of the important relationships between the Board and our senior executives. His experience for over 40 years in the insurance industry also makes him a valuable resource for the Board in fulfilling its risk

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oversight function. From his membership on various profit and not-for-profit boards, he brings to the Board knowledge of a variety of industries and of the challenges of international operations. His knowledge of finance, management and governance gained through prior senior executive roles has contributed to his effectiveness as Lead Independent Director and as our former Audit Committee Chairperson. He also contributes to our Board his past experience as a director with Kansas City Southern, which owned all of our shares prior to our initial public offering in 1995, and he has served on our Board since our initial public offering in 1995.

LAWRENCE M. HIGBY

Mr. Higby is being nominated by the Board as a new director. He is the retired President and Chief Executive Officer of Apria Healthcare, where he also served for a period of time as Chief Operating Officer. Prior to his service with Apria from November 1997 to October 2008, he held executive leadership positions in various other industries, including energy, publishing, and manufacturing. In the mid-1990's, he served as President and Chief Operating Officer of Unocal 76 Products Company, a petroleum company. From the mid-1980's through the early 1990's, he served in executive positions, including as Executive Vice President with The Times Mirror Company, publisher of the Los Angeles Times. Prior to that time, he held management positions with PepsiCo, including as Vice President of Marketing for Pepsi-Cola USA. Mr. Higby's experiences in the healthcare industry, including his involvement in response to legislative initiatives and his relationships within the Centers for Medicare and Medicaid Services, will be helpful to the Board in making strategic decisions regarding our Argus Health Systems and DST Health Solutions businesses. His broad business leadership, particularly his experiences in marketing, will enhance the expertise of our Board.

ROBERT T. JACKSON

Mr. Jackson retired in 2006 as the principal financial officer and an administrative officer of American Century Investments, an investment management company. Prior to joining American Century in 1995, Mr. Jackson held various leadership positions in Kemper Corporation, a financial services company.

Mr. Jackson's experience in the financial services industry spans more than 30 years. He brings extensive knowledge of the mutual fund and financial services industry served by our core business operations. He uses his financial experience as our current Audit Committee Chairperson and as a member of the Compensation Committee. He has led operations and technology functions and also brings to the Board knowledge of the life insurance and brokerage industries, both of which are important to the growth of our financial services and print-mail businesses. He brings an experienced perspective on Audit Committee communication with the Finance Department and internal and external auditors and to Board oversight and understanding of our business strategies.

THOMAS A. MCCULLOUGH

Mr. McCullough served as an Executive Vice President from April 1987 through December 2009 and as our Chief Operating Officer from May 2001 through June 2009. He retired from service as an executive of the Company at the end of 2009. His responsibilities included full service mutual fund processing, remote service mutual fund client servicing, Automated Work Distributor products, information systems, product sales and marketing, and data centers. From September 2000 through 2003, he served as Chief Executive Officer and from September 2000 through June 2009 he served as Chairman of Boston Financial, our joint venture with State Street. He continues to serve on the Boston Financial Board of Directors. Boston Financial performs shareowner accounting services for mutual fund companies and remittance and proxy processing, teleservicing and class action administration services.

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Mr. McCullough retired after nearly 23 years of DST service and he brings to the Board hands-on experience with the challenges and nuances of our financial services and software businesses and in-depth knowledge of our print-mail, health care and international businesses. He has participated extensively in the selection, leadership and development of our executive officers. The director and officer positions he has held with our joint venture, Boston Financial, give him important insight into our U.S. and international joint venture relationships. His experience as a partner in the consulting division of a national accounting firm prior to joining our company has given him significant knowledge of financial and internal audit matters and exposure to strategic issues faced by a number of different companies in a variety of industries. His service on the board of a company in the health care industry adds important knowledge to the Board's understanding of our health care service operations, and his service on other companies' boards of directors provides a valuable perspective to the Board on governance matters and effective relationships with executive management.

THOMAS A. MCDONNELL

Mr. McDonnell has served as our Chief Executive Officer since October 1984, and as our President from January 1973 through June 2009 (except for a 30-month period from October 1984 to April 1987). He served as Treasurer from February 1973 to September 1995.

Mr. McDonnell has been with DST since inception and is considered one of the principal founders of the Company. He has led the Company into its core financial services and software businesses and into our international and various diversified business ventures. He has a unique understanding of the interrelationship of such businesses. The Board has determined that he sets a tone for ethical behavior, represents us well with clients and the communities in which we have a significant presence, and stewards our resources with proficiency. He has a solid business education that has enabled his leadership of our finance and human resources functions. As a member of numerous boards, he has experienced various styles of board oversight and interplay with executive management. These experiences enhance his collaboration with our Board and his skill at providing our directors with the information and understanding needed to serve us well.

WILLIAM C. NELSON

In March 2001, Mr. Nelson joined George K. Baum Holdings, Inc., an investment banking and holding company, as Chairman, George K. Baum Asset Management. In March 2000, Mr. Nelson retired from his positions as President, Kansas City Region, of Bank of America, N.A. and Chairman of Bank of America Mid-West. Mr. Nelson had served since June 1988 as an executive officer of certain banks acquired by Bank of America.

Mr. Nelson has had over 40 years experience in the banking industry. His leadership of a Kansas City bank resulted in significant and measurable improvements, and that experience has added to the Board's ability to evaluate various strategic initiatives and challenges in our businesses. His broad knowledge of finance, lending and credit markets is valuable to the Board's evaluation of liquidity and credit matters. He contributes to the Board his knowledge of expense management, risk evaluation and regulatory compliance, as well as client relationship, international business, human resources, and acquisition integration management. He serves as a director, chairman or advisor of other public, private and not-for-profit organizations, which is helpful to his role as Chairperson of the Governance Committee. He has served on our Board since our initial public offering in 1995, which gives him invaluable insights into our history and growth and the strategic direction of our various businesses.

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TRAVIS E. REED

Mr. Reed is founder of Reed Investment Corporation, which acquires equity interests in various businesses. He has served as its President since 1977.

Mr. Reed's experiences over almost five decades in the financial industry as an investor qualify him to serve on our Board. As an entrepreneur, he brings a unique perspective to the challenge of balancing risk and rewards faced by our businesses and in acquisition transactions. He has gained experiences valuable to our Board by serving as a founder, director and/or officer of two publicly-held corporations and one privately-held corporation. His knowledge of complex financial arrangements, regulatory compliance, mergers and acquisitions, and markets and trading activities is helpful to the Board in evaluating the merits of strategic initiatives and acquisitions and addressing strategic challenges. His service at the U.S. Department of Commerce in a senior leadership role involving both domestic and international businesses brings to the Board an understanding of the impact of national governmental initiatives, policies and regulation on our businesses. He currently chairs the board audit committee of a major university, which has provided our Audit Committee with valuable perspective in managing its relationship with our independent auditors and performance of its financial reporting oversight function.

M. JEANNINE STRANDJORD

Ms. Strandjord is a retired executive of Sprint Corporation (today, Sprint Nextel Corp.), a global communications company. From September 2003 until her retirement in November 2005, she served Sprint as Senior Vice President and Chief Integration Officer. Prior to holding such office she served in various Sprint positions: Senior Vice President of Financial Services (between January 2003 and September 2003); Senior Vice President of Finance for the Global Markets Group (between November 1998 and December 2002); Senior Vice President and Treasurer (from 1990 to November 1998); and Vice-President and Controller (from 1986 through 1989).

Ms. Strandjord brings over 40 years of experience in financial executive roles with three different industries and a national certified public accounting firm. She has supervised the streamlining of transaction processing, led a successful restructuring, and served as a representative of her company on international joint ventures. Each of these experiences is helpful to our Board and management. She serves on other public company boards and chairs a committee of each. As Chairperson of our Compensation Committee, she draws upon her substantial experience in talent acquisition and her understanding of the financial impact of compensation determinations. She has in-depth knowledge of the most current corporate governance issues through her leadership in governance organizations and contributions to governance panels. As a director of several investment companies, she stays abreast of the various changes in the mutual fund industry, which is the core industry we serve. She has served on our Board since our initial public offering in 1995, which gives her invaluable insights into our history and growth and strategic direction of our various businesses.

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COMMITTEES AND MEETINGS

Our Board met seven times in 2010. The Board appoints the members of the three Board committees: the Audit Committee, the Compensation Committee, and the Governance Committee. During 2010, the Audit Committee held four meetings, the Governance Committee held three meetings, and the Compensation Committee held six meetings.

In 2010, each director attended at least 75% of all regular and special Board meetings and all meetings of Board committees on which the director served, with seven directors attending all the meetings. Our directors shall, whenever reasonably practicable, attend annual stockholders' meetings. All directors attended the 2010 annual stockholders' meeting. Non-employee directors, led by Lead Independent Director Michael G. Fitt, meet regularly in private session without management, and the independent directors meet at least annually.

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LEADERSHIP, EXPECTATIONS, OVERSIGHT

Board Leadership Structure. Our Bylaws provide that the Board has the discretion but may choose not to appoint a Chairman of the Board. In the absence of such an appointment, the Chief Executive Officer chairs meetings of the Board. Our Board has not elected a Chairman of the Board with the result that our Chief Executive Officer, Thomas A. McDonnell, chairs the Board meetings and discharges the other duties of Chairman.

The Board has determined that the Board and the Company are presently best led by having a Lead Independent Director as well as having the Chief Executive Officer discharge the duties of a chairman. Having the Chief Executive Officer perform the functions of a chairman provides both accountability to the Board and clear and effective leadership for the Board and the Company, while avoiding any potential for confusion or duplication of efforts between the Chief Executive Officer and a separately appointed chairman.

Our Corporate Governance Guidelines, which are available on our website, provide for a strong lead independent director role. The Board has appointed Michael G. Fitt as Lead Independent Director. The Lead Independent Director performs the following functions and such other functions as the Board may direct:

- Presiding at executive sessions of the Board at which only non-management or independent directors are permitted to be present, along with other persons invited to attend such sessions by the Lead Independent Director or by consensus of a majority of the non-management or independent directors.

- Serving as liaison between the non-management or independent directors and either the Chairman of the Board, if one is appointed, or the Chief Executive Officer.

- Advising the Chairman of the Board, if one is appointed, or the Chief Executive Officer of agenda items for Board meetings suggested by any non-management director.

- Serving as a point of contact for stockholders wishing to communicate with the Board other than through the Chairman of the Board, if one is appointed, or the Chief Executive Officer.

Our governance processes, including the Board's involvement in developing and implementing strategy, active oversight of risk, regular review of business results and thorough evaluation of chief executive officer performance and compensation, provide rigorous Board oversight of the Chief Executive Officer as he fulfills his various responsibilities, including discharging the duties of the Chairman.

Stock Ownership Expectations for Non-Employee Directors. The Board has adopted a guideline that its non-employee directors are expected to beneficially own an amount of DST stock with a fair market value equal to at least five times the annual minimum retainer for serving as a Board member. The guideline provides a grace period for achievement of such ownership level after joining the Board. The Board will consider personal circumstances, length of service on the Board, and the effect of market conditions in applying the guideline.

Board Risk Oversight. The Board, with the assistance of the Audit Committee, has oversight of the Company's risk assessment and risk management, with particular focus by the Board on material corporate governance and business strategy risks. The Audit Committee assists the Board with oversight of the Company's material financial risk exposures, including without limitation liquidity, credit, operational and investment risks, and the Company's material financial statement and financial reporting risks. The Compensation Committee assists the Board with oversight of whether the Company's compensation policies and practices for all employees, including non-executive officers, create risks that are reasonably likely to have a material adverse effect on the Company, and whether the effect of incentive compensation structures for executive officers may cause inappropriate risk-taking. In each case the Board or the Committee oversees the steps Company management has taken to monitor and control such exposures.

The Chief Executive Officer, by leading Board meetings, facilitates reporting by the Audit Committee and the Compensation Committee to the Board of their respective activities in risk oversight assistance to the Board. The Lead Independent Director, who serves on both committees, suggests risk management topics for Board agenda as he and other non-management directors deem appropriate. He may lead risk management discussions in executive sessions of non-management or independent directors. The Chief Executive Officer's collaboration with the Board allows him to gauge whether management is providing adequate information for the Board to understand the interrelationships of our various business risks. He is available to the Board to address any questions from directors regarding executive management's ability to identify and mitigate risks and weigh them against potential rewards.

INDEPENDENCE AND ACCESSIBILITY

Non-Employee Director Independence. New York Stock Exchange standards, certain securities and tax laws, and our Corporate Governance Guidelines govern the independence of non-employee directors. A majority of our Board must be independent, and directors must be independent for purposes of Board committee service. Our Board has determined the independence for Board service and for service on their respective Board committees of each of Ms. Strandjord, Ambassador Argyros, and Messrs. Allinson, Fitt, Jackson, Nelson and Reed. As a group, they constitute a majority of the Board. The Board has also determined Mr. Higby's independence for service on the Board and each committee.

To determine independence for service on the Board and the Audit Committee, the Board applied the independence standards contained in our Corporate Governance Guidelines. The Board uses the standards to determine whether a non-employee director has a material relationship with us, either directly or as a partner, stockholder or officer of an organization that has a relationship with us.

Under the Guidelines, the Board presumes a non-employee director is independent if the director:

- during the preceding three years
  - has not been our employee and has no immediate family member (as defined in the Guidelines) whom we have employed as an executive officer, and
  - has not received, and has no immediate family member who has received, more than $120,000 in any 12-month period in direct compensation from us (other than in certain allowable circumstances including serving in his or her capacity as a member of the Board or of any Board committee);
- is not and has not been within the last three years, and has no immediate family member who is or has been within the last three years, employed as an executive officer by any company on whose compensation committee any one of our current executive officers concurrently serves or served;
- is not a current employee, and has no immediate family member who is a current executive officer, of:
  - the Company,
  - a company that made payments to or received payments from us for property or services in any of the last three fiscal years in an amount which exceeds the greater of $1 million or 2% of such other company's consolidated gross revenues, as reported in the last completed fiscal year of such company, or

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a charitable organization to which we contributed in any of the last three fiscal years more than 2% of such charitable organization's consolidated gross revenues or $1 million, whichever is greater;

has no immediate family member who is a current partner of a firm that is our internal or external auditor;

has no immediate family member who is a current employee of a firm that is our internal or external auditor and personally works on the Company's audit;

has no immediate family member who was, within the last three years, a partner or employee of such a firm and personally worked on our audit within that time; and

is not a current partner or employee of a firm that is our internal or external auditor, and who was not within the last three years a partner or employee of such a firm and personally worked on our audit within that time.

The Guidelines are available on our website as described on page 1. They explain circumstances in which a director can be independent even though one or more of the above circumstances exist.

The Guidelines provide that a non-employee director is independent for purposes of serving on the Audit Committee only if:

we have not paid any consulting, advisory or other compensatory fee to the director other than for serving on the Board or a Board committee; and

the director is not considered an affiliated person of the Company under applicable securities regulations.

Interested Party and Stockholder Communication with Directors. Interested parties and stockholders may communicate in writing with the Board, Lead Independent Director Michael G. Fitt, any director, or any group of directors such as all non-employee directors or all members of a Board committee. A vendor unaffiliated with DST receives such communications and forwards them to directors. You may direct communications to the directors in care of our vendor:

Clarence M. Kelley and Associates, Inc.
Attention: Rod Smith/ regarding DST
7945 Flint
Lenexa, Kansas 66214

NON-EMPLOYEE DIRECTOR COMPENSATION

COMPENSATION STRUCTURE

Only non-employee directors participate in the compensation structure we describe in this section. Thomas A. McDonnell, Chief Executive Officer, did not receive such compensation for his service on the Board during 2010.

The Compensation Committee recommended the current non-employee director compensation structure to our Board in 2003. Prior to recommending the compensation, the Committee engaged compensation consultant Deloitte Consulting LLP ("Deloitte") to provide data and assist in evaluating the competitiveness of our non-employee director compensation program. The Committee reviewed the equity component of compensation in 2008.

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The Board considered Board and committee members' duties and the Compensation Committee's recommendations in approving the compensation. It includes annual equity grants, described in note (1) on page 16, and the following cash compensation:

ANNUAL RETAINERS AND MEETING FEES

Retainer for All Non-Employee Directors	Additional Retainer for Lead Independent Director	Additional Retainer for DST Audit and Compensation Committee Chairs	Additional Retainer for Governance Committee Chair	Board Meetings		Board Committee Meetings	
				In Person	By Teleconference	In Person	By Teleconference
$40,000	$10,000	$10,000	$5,000	$5,000	$1,000	$2,000	$500

To address retirement and tax planning, the Board allows non-employee directors to defer their cash compensation. The DST Systems, Inc. Directors' Deferred Fee Plan, a nonqualified deferred compensation plan, governs the deferrals and allows non-employee directors to annually elect deferral of all or a part of any cash compensation earned during the next calendar year. We credit each participating non-employee director's account with the amount of compensation deferred. We monthly adjust the account by a rate of return on a hypothetical investment the director selects among a limited number of choices including long-term investments, both equity-based and income-oriented. If the non-employee director does not select hypothetical investments for all or a portion of the account, we adjust the account by an interest factor equal to a rate of return the Board selects. We continue to hold fees related to Mr. Allinson's prior service on the Board from 1977 to 1990. The fees are held in a directors' deferred fee plan that terminated effective August 31, 1995. Non-employee directors are always fully vested in their accounts.

We will distribute a non-employee director's plan account balance after Board service terminates. We pay balances in a lump sum but will pay them in installments not to exceed ten years if the Board allows and the director has timely elected installments pursuant to plan provisions and applicable tax laws and regulations.

We have established a grantor trust in connection with the current Directors' Deferred Fee Plan and the terminated directors' deferred fee plan. We may fund the trust equal to the sum of the payout obligations under such plans. If on or after a change in control we fail to honor obligations under such plans to a plan participant, the trust, if funded, is to distribute the required amounts to the plan participants. The trust requires us to be solvent to distribute trust accounts. Trust assets are subject to the claims of our creditors in the event of our bankruptcy. The Compensation Committee may revoke the trust until we have a change in control. The trust uses the same definition of change in control as used in executive compensation award agreements, summarized beginning at page 44.

We purchase term life insurance for non-employee directors. The directors name the policy beneficiaries. We provide spousal travel to an annual planning meeting and reimburse family entertainment at such meeting. If we do not incur an incremental cost for an additional passenger, the spouse or significant other of a director may accompany the director to the location at which meetings of the Board or its committees are occurring by traveling on aircraft in which we have an interest.

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2010 NON-EMPLOYEE DIRECTOR COMPENSATION

Name	A Fees Earned or Paid in Cash ($)	B Stock Awards(1) ($)	C All Other Compensation(2) ($)	D Total ($)
A. Edward Allinson	81,000	130,000	30,023	241,023
George L. Argyros	73,500	130,000	30,046	233,546
Michael G. Fitt	101,000	130,000	23	231,023
Robert T. Jackson	101,500	130,000	30,071	261,571
Thomas A. McCullough	79,672	130,000	30,071	239,743
William C. Nelson	96,500	130,000	30,234	256,734
Travis E. Reed	91,500	130,000	30,023	251,523
M. Jeannine Strandjord	96,500	130,000	30,071	256,571

(1) Non-employee directors currently receive $130,000 of unrestricted stock on the date of each annual stockholders' meeting, and for new non-employee directors, on the date of appointment other than in connection with an annual stockholders' meeting. Each non-employee director received 3,196 shares of our common stock as of the date of the 2010 annual meeting. We determined the number of shares by dividing $130,000 by $40.68, the average of the highest and lowest reported sale price of DST stock on May 11, 2010, the date of the 2010 annual meeting. For our accounting assumptions in deriving the 2010 compensation expense amount in Column B, see note (10) to the Consolidated Financial Statements in our Form 10-K for the year ended December 31, 2010. We issued the shares under the 2005 Non-Employee Directors' Award Plan.

(2) None of our non-employee directors had perquisites in an amount of at least $10,000, so Column C does not include any. Amounts in Column C include term life insurance premiums and reflects the participation of all directors other than Mr. Fitt in our charitable match program. Under the program, the Company contributes to a community charitable foundation an amount equal to three times a non-employee director's contribution but not to exceed $30,000. Matching amounts to the foundation were $30,000 for each participating director.

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BOARD COMMITTEE MATTERS AND REPORTS

AUDIT COMMITTEE

We identify Committee members in the table on page 6. Committee members serve staggered three-year terms corresponding with their terms as directors. As described in the Audit Committee charter, the Committee is responsible for:

- appointing, approving the services and overseeing the work of, and receiving reports directly from, the independent registered public accounting firm
- reviewing audited financial statements and various other public disclosures
- assisting the Board in overseeing material financial risk exposures
- assisting the Board in overseeing our internal audit function and legal and regulatory compliance, as well as the integrity of our financial statements and certain internal controls.

Our Board has determined that Ms. Strandjord, who is independent under the standards beginning at page 13, is an "audit committee financial expert" as defined in securities regulations. Other members of the Audit Committee may also qualify as audit committee financial experts under the regulations. No Committee member serves on more than two other public company audit committees.

Audit Committee Report

We reviewed and discussed the Company's consolidated financial statements with management and PricewaterhouseCoopers LLP, DST's independent registered public accounting firm. PricewaterhouseCoopers gave us its opinion, and management represented, that the Company prepared its consolidated financial statements in accordance with generally accepted accounting principles in the United States of America. We discussed with the Company's independent registered public accountants the matters that Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T, requires the Committee and the auditors to discuss.

PricewaterhouseCoopers gave us and we reviewed the written disclosures and the letter required by applicable requirements of the PCAOB regarding the independent registered public accounting firm's communications with us concerning independence. We also discussed with PricewaterhouseCoopers its independence from management.

Based on the above discussions, we recommended to the Board that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

THE AUDIT COMMITTEE
Robert T. Jackson, Chairperson
A. Edward Allinson
Michael G. Fitt
William C. Nelson
Travis E. Reed
M. Jeannine Strandjord

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COMPENSATION COMMITTEE

Committee Structure. We identify Committee members in the table on page 6. Committee members serve one-year terms. As described in the Compensation Committee charter, the Committee is responsible for:

- establishing policies and procedures for compensating executive officers and non-employee directors
- retaining independent compensation consultants
- determining the structure and objectives of each element of executive officer compensation, and the base salaries, incentive award opportunity levels, and all other components of such compensation
- setting incentive compensation goals
- approving awards under equity and incentive compensation programs, and exercising administrative authority under benefit plans
- evaluating Chief Executive Officer performance and reviewing evaluations of the performance of other executive officers
- recommending to the Board the structure of non-employee director compensation
- assisting the Board in overseeing compensation risk including determinations regarding the risk of employee compensation practices and policies
- approving certain compensation disclosures.

Executive Officer Compensation Practices. The policies and procedures for determining executive officer compensation are written and were approved by the Compensation Committee.

The Committee is responsible for and has the authority to determine the components of executive officer compensation. The Committee seeks to provide competitive compensation packages that include cash and non-cash as well as short- and long-term components. It also seeks to tie a portion of executive officer compensation to whether we achieve Company performance goals.

The Committee periodically reviews executive officer compensation. For each review, the Committee may consider, and decide the weight it will give to, any combination of the following:

- market competition for employees
- market information regarding salaries, incentives and benefits
- individual executive officer performance

- Company or business unit performance
- Company financial information
- accounting effects of compensation
- Company and individual tax issues
- executive officer retention
- executive officer health and welfare
- executive officer retirement planning
- executive officer responsibilities
- effects of a potential change in control or of a Company transaction.

The Committee may request our Chief Executive Officer, President, Chief Financial Officer, Human Resources Officer, General Counsel, or other management to recommend compensation package components, to communicate hiring and retention concerns and business unit personnel needs, and to provide:

- market analysis data
- product, service and business unit overviews
- proposed benefit plan terms and conditions
- financial, accounting and tax information
- legal requirements for benefit plan and award structures
- valuation information regarding outstanding awards and undistributed account balances
- historical Company compensation data
- Company performance data
- executive officer evaluations.

The Committee relies on our Chief Financial Officer, Human Resources managers, General Counsel, and other management to implement executive officer compensation decisions and adopt appropriate compensation procedure internal controls.

The Committee develops the criteria for evaluating Chief Executive Officer performance and privately and annually reviews his performance against such criteria. The Chief Executive Officer periodically and privately discusses the President's performance with the Committee. The Chief Executive Officer and the President periodically and privately discuss with the Committee their views of the performance of the other executive officers. The Committee may review human resources and business unit records, contact any officer about the performance or responsibilities of any other officer, and obtain from the Corporate Secretary responses by executive officers to an annual ethics policy compliance questionnaire.

The Committee may retain, at Company expense, an independent compensation consultant to advise the Committee on executive compensation practices and trends and to assist the Committee with any determination it will make under these procedures. The Committee selects, engages and instructs the consultant and may rely on our Chief Financial Officer, Corporate Secretary, or other management to coordinate the consultant's work. The consultant recommends to the Committee compensation structures for executive officer compensation but does not determine individual compensation.

Non-Employee Director Compensation Practices. The policies and procedures for determining non-employee director compensation are written and were approved by the Compensation Committee. The Committee recommends components of non-employee director compensation to the Board. The Board is responsible for and has the authority to determine the components of non-employee director compensation.

Employee Compensation Risk. The Compensation Committee requests that executive management, including business unit and Human Resources executives, provide information to the Committee to assist with its determination of whether employee compensation policies and practices create risks that are reasonably likely to have a material adverse effect on the Company. The Committee analyzes corporate, business unit, domestic, international, incentive, equity, sales commission and other programs. It considers human resources controls such as benchmarking, Committee practices such as setting goals and award limits, and the assistance to the Company and the Committee provided by independent compensation consultants. In February 2011, the Committee determined that our employee compensation practices and policies do not create risks that are reasonably likely to have a material adverse effect on the Company.

Compensation Consultant Engagements. The Committee may retain, at Company expense, an independent compensation consultant as further described in our Compensation Discussion and

Analysis. The consultant recommends to the Committee non-employee director compensation alternatives based on the market data but does not determine such compensation. The Compensation Committee has engaged Deloitte with respect to executive officer compensation as described in our Compensation Discussion and Analysis. It has engaged Deloitte with respect to compensation of non-employee directors as described on page 15.

Compensation Committee Report

We reviewed and discussed with management the Compensation Discussion and Analysis section of this Proxy Statement. Based on such review and discussion, we recommended to the Board that this Proxy Statement include the Compensation Discussion and Analysis.

THE COMPENSATION COMMITTEE
M. Jeannine Strandjord, Chairperson
George L. Argyros
Michael G. Fitt
Robert T. Jackson
William C. Nelson
Travis E. Reed

GOVERNANCE COMMITTEE

Committee Functions and Structure. We identify Committee members in the table on page 6. Committee members serve one-year terms. As described in the Governance Committee charter, the Committee is responsible for:

- identifying and recommending to the Board persons to serve as directors and on Board committees
- evaluating independence and other qualifications of Board and committee members
- recommending corporate governance guidelines to and overseeing evaluations of the Board
- adopting and implementing written policies and procedures for reviewing, approving and ratifying transactions of $120,000 or more in which the persons listed in the Beneficial Ownership section or their immediate families have a direct or indirect material interest
- adopting and performing certain administrative duties with respect to our Business Ethics and Legal Compliance Policy.

Director Nomination Matters. In recommending nominees to the Board, the Governance Committee identifies candidates who meet the current challenges and needs of the Board. The Committee identifies and evaluates nominees through multiple sources including Board and management referrals. The Committee may seek input from third-party executive search firms. It did not use a search firm to recommend the nominees for the 2011 stockholders' meeting (Messrs. Higby and McDonnell, Ambassador Argyros, and Ms. Strandjord). An incumbent non-management director recommended Mr. Higby for nomination by the Board. The Committee has not adopted a policy for considering whether to designate as a Board nominee a candidate proposed by a stockholder. It does not believe a policy is necessary because it could respond on an ad hoc basis. It will consider director nominees timely proposed by stockholders in a written notice and evaluate stockholder nominees for director in the same manner it evaluates other nominees, which includes considering and giving weight to input about a nominee from management or incumbent directors.

In recommending a director nominee (including an incumbent director), the Governance Committee considers:

whether the nominee has the requisite or appropriate experience, qualifications and skills

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- the nominee's commitment to prepare for and regularly attend meetings of the Board and committees

- whether, if applicable, the nominee meets the New York Stock Exchange standards for independence and has qualifications and attributes necessary under applicable listing standards and laws and regulations for service on Board committees.

In considering these items, the Governance Committee may contemplate the interplay of the nominee's attributes with that of the other Board members and appraise the extent to which a candidate would be a desirable addition to the Board and, as applicable, its committees. Although the Board does not have a specific policy for Board diversity, the Board may, as stated in the Corporate Governance Guidelines, consider whether the nominee's background would add to the diversity of experiences, qualifications, and skills the various directors may bring to their Board service. Additionally, the Committee considers in recommending an incumbent director for re-election the nominee's prior service on the Board, continued commitment to Board service, whether the nominee possesses the requisite financial and management experience and expertise appropriate for service on the Board and its respective committees, and any changes in employment or other status that are likely to affect such nominee's qualifications to serve.

Based on an amendment to the Corporate Governance Guidelines dated February 24, 2011 ("Restriction Commencement Date"), the Committee generally prohibits nominations of individuals who are age 75 or older at the date of nomination ("Age Restriction"). For purposes of assuring transition of productive relationships and necessary skills among directors and to facilitate an appropriate process of succession upon the adoption of the Age Restriction, the restricted age is 80 (rather than 75) for any incumbent director who is age 70 or older at the Restriction Commencement Date. The Board may approve an exception to the Age Restriction under extraordinary circumstances, on a case by case basis.

Related Person Transaction Procedures. Written policies and procedures adopted by the Governance Committee address Committee review of transactions of $120,000 or more in which the Company participates and a "related person" has a direct or indirect material interest. A "related person" is a director, executive officer, 5% or more stockholder, or immediate family member of any such person. Our management informs the chairman whenever it becomes aware that any related person has, or during the relevant period has had, a direct or indirect material interest in a related person transaction and reports any actual or proposed related person transaction to the Governance Committee Chairperson. For each such reported transaction, the Committee considers whether the related person serves on a Board committee and, if so, whether such continued service is appropriate under securities regulations pertaining to such committee. The Committee determines whether to ratify the transaction considering:

- the significance of the transaction to the Company

- the best interests of our stockholders

- our ethics policy requirements

- the materiality of the transaction to the related person

- whether the transaction is significantly likely to impair any judgments an executive officer or director would make on our behalf.

If the Committee does not approve or ratify a transaction, it discusses with management a strategy for terminating the transaction or modifying the structure of the transaction.

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BENEFICIAL OWNERSHIP

As of March 4, 2011, we had 46,444,591 shares of our common stock outstanding. The following table shows share ownership as of such date based upon available information.

Name and Address	Shares of our Common Stock(1)(#)	Percent of Class(1)(%)
George L. Argyros(2)(4) Director	9,706,785	20.90
Marshall & Ilsley Corporation ("M&I"), parent of benefit plans trustee(3)	2,688,431	5.79
A. Edward Allinson(4) Director	118,401	*
Michael G. Fitt(4) Director	41,201	*
Lawrence M. Higby Nominee for Director		
Kenneth V. Hager(4) Vice President, Chief Financial Officer and Treasurer	200,151	*
Stephen C. Hooley(4) President and Chief Operating Officer	105,505	*
Robert T. Jackson(4) Director	10,482	*
Thomas A. McCullough(4) Director	353,000	*
Thomas A. McDonnell(4) Chief Executive Officer, Director	1,594,533	3.37
William C. Nelson(4) Director	66,088	*
Travis E. Reed(4) Director	17,364	*
M. Jeannine Strandjord(4) Director	76,488	*
Steven J. Towle(4) DST Output Chief Executive Officer	99,334	*
Robert L. Tritt(4) Executive Vice President	176,604	*
All Executive Officers, Directors, and Nominees as a Group (18 Persons)(4)	12,845,677	26.78

*
Less than 1% of the aggregate as of the record date of our outstanding common stock and the exercisable options and reportable RSUs described in note (1).

(1)
As required by securities regulations, the number of shares shown for each person or group includes options exercisable within 60 days of the record date ("exercisable options"), as well as RSUs reportable within 60 days of the record date on Form 4's under Section 16 of the Securities and Exchange Act ("reportable RSUs"), and the percentage for each person or group is based on the number of shares outstanding as of the record date plus exercisable options and reportable RSUs. Except as otherwise stated in these notes, the holders have sole power to vote and dispose of the shares.

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(2) Ambassador Argyros' address is c/o Arnel Development Company, 949 South Coast Drive, Suite 600, Costa Mesa, California 92626. We based information with respect to Ambassador Argyros and his beneficial ownership on Schedule 13D/A filed on May 14, 2010. Ambassador Argyros shares power to vote the Argyros' Children's Trust II shares; otherwise he reports sole power to vote or direct the voting and sole power to dispose or direct disposition of our common stock. The shares consist of:

- 4,708,357 shares held by Ambassador Argyros
- 900 shares held by The Leon & Olga Argyros 1986 Trust of which Ambassador Argyros is the trustee
- 28,125 shares held by The Argyros' Children's Trust II which is for the benefit of certain immediate family members of Ambassador Argyros and of which Ambassador Argyros is trustee
- 215 shares held by The George T. Poulos Trust of which Ambassador Argyros is the trustee
- 4,295,500 shares held by HBI Financial Corporation of which The Argyros Family Trust is sole stockholder
- 1,686 shares held by GLA Financial Corporation of which The Argyros Family Trust is sole stockholder
- 672,002 shares held by The Argyros Family Foundation of which Ambassador Argyros is Chairman.

Ambassador Argyros disclaims beneficial ownership of the shares held by the Leon & Olga Argyros 1986 Trust, the Argyros Children's Trust II, The George T. Poulos Trust, and The Argyros Family Foundation.

Ambassador Argyros has no pecuniary interest in shares held by The Argyros Family Foundation, a charitable foundation identified in the filing.

(3) M&I is located at 770 North Water Street, Milwaukee, Wisconsin 53202. We based information with respect to M&I and its beneficial ownership on Schedule 13G/A dated February 14, 2011. M&I has the sole power to vote or direct voting of 1,361 shares and the sole power to dispose or direct the disposal of 2,463 shares, but disclaims beneficial ownership of 2,285,758 shares. M&I has the shared power to vote or direct the voting of and the shared power to dispose or direct disposal of 2,658,968 shares including 2,285,758 shares which are held in one or more employee benefit plans, and the securities regulations may view the custodian, M&I's subsidiary Marshall and Ilsley Trust Company N.A., as having voting or dispositive authority over these shares in certain situations.

(4) The total number of shares shown in the Beneficial Ownership table consists of the following:

	Directly Held Shares(#)	**Miscellaneous Indirect Holdings(b)(#)**	**Exercisable Options and Reportable RSUs(c)(#)**
A. Edward Allinson	62,461		55,940
George L. Argyros	4,708,357	4,998,428	0
Michael G. Fitt	41,201		0
Kenneth V. Hager(a)	144,751	20,000	35,400
Lawrence M. Higby			
Stephen C. Hooley		3,237	102,268
Robert T. Jackson	10,482		
Thomas A. McCullough(a)	353,000		
Thomas A. McDonnell	684,497		910,036
William C. Nelson(a)	26,318	200	39,570
Travis E. Reed	3,700	8,664	5,000

M. Jeannine Strandjord	22,598		53,890
Steven J. Towle	43,120	1,768	54,446
Robert L. Tritt	245	27,749	148,610
Executive Officers and Non-Employee Directors as a Group	6,266,945	5,064,396	1,514,336

(a) Messrs. Hager, Nelson and McCullough share voting and dispositive power with their spouses of 144,751, 3,000 and 353,000 shares, respectively. Ambassador Argyros shares voting power over a portion of his shares, as shown in note (2).

(b) The trustee of our benefit plans holds the voting and dispositive power over Mr. Tritt's indirect shares, which are held in our Employee Stock Ownership plan. The other indirect shares are held in individual retirement accounts, trusts, through spouses, or otherwise. Ambassador Argyros has disclaimed beneficial ownership of 701,242 of these shares as further explained in note (2). Mr. Reed has disclaimed beneficial ownership as to 8,664 shares which his wife owns.

(c) Exercisable options are included regardless of the strike price. The reportable RSUs include time-vesting RSUs that are subject to forfeiture for termination without cause as well as unvested RSUs that are no longer subject to a substantial risk of forfeiture.

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INSIDER DISCLOSURES

Certain Transactions with Related Persons. President and Chief Operating Officer Stephen C. Hooley was president and chief executive officer of Boston Financial, our joint venture with State Street, from January 2004 through June 2009. He is currently a member of the board and a non-executive officer of Boston Financial. In addition to his current positions with Boston Financial, Mr. Hooley serves other joint ventures of DST and State Street. He has served since May 30, 2007 as chief executive officer of IFDS, L.P., and since October 4, 2006 as a director on the board of International Financial Data Services Limited ("IFDS UK"). Mr. Hooley's brother, Joseph L. Hooley, is the Chief Executive Officer of State Street.

For 2010, the Company had equity in earnings of unconsolidated affiliates, net of income taxes provided by the unconsolidated affiliates of $14.8 million from Boston Financial, $6.2 million from IFDS, L.P., and $15.9 million from IFDS UK. A Company subsidiary holds investments in State Street (at February 28, 2011, approximately 10.3 million shares with a market value of approximately $462 million).

Boston Financial uses our mutual fund shareowner accounting and recordkeeping system and services as a remote services client. Certain of our subsidiaries provide printing, mailing and other services and license software to Boston Financial and its subsidiaries. In 2010, we had consolidated revenues of $186.1 million from Boston Financial and its subsidiaries. We also entered into a related party promissory note with Boston Financial on March 1, 2006. The agreement provides for unsecured revolving borrowings by DST of up to $140 million and matures on July 1, 2013. The amount outstanding under this promissory note was $120.0 million at December 31, 2010. For the year ended December 31, 2010, we recorded interest expense related to the loan of $2.0 million.

Section 16(a) Beneficial Ownership Reporting Compliance. The securities regulations require our non-employee directors, certain of our officers, and each person who owns more than 10% of DST stock to file ownership reports with the Securities and Exchange Commission. Based on our review of the reports, and our officers' and directors' written representations to us, we believe required reports were up-to-date for 2010 with the exception of late reports filed in February 2011 to report the following: the ownership by Mr. Hooley of less than 4,000 shares in a deferred compensation plan of his previous employer, Boston Financial; an acquisition in April 2010 by Mr. Tritt of less than 300 shares his broker purchased with dividends on DST stock; and RSUs held by Mr. Towle that became reportable in December 2010, as further explained in note (5) on page 40.

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Engagement. PricewaterhouseCoopers LLP served as our independent registered public accounting firm as of and for the year ended December 31, 2010. PricewaterhouseCoopers LLP performed professional services in connection with the audit of our consolidated financial statements and internal control over financial reporting and the review of reports we filed with the Securities and Exchange Commission. It also reviewed control procedures of our mutual fund processing services and provided us certain other accounting, auditing and tax services.

PricewaterhouseCoopers' fees for services related to 2010 and 2009 were as follows:

Type of Fees	2010($)	2009($)
Audit Fees	3,481,561	3,479,057
Audit Related Fees(1)(2)	2,276,393	2,294,710
Tax Fees(1)(3)	2,818,139	2,680,748
All Other(4)	24,700	

(1) The Audit Committee has determined that the provision of these services is compatible with maintaining the independence of PricewaterhouseCoopers.

(2) A total of $2,196,393 of the 2010 amount and $2,209,450 of the 2009 amount was for attest services relating to Statement on Auditing Standards No. 70 reports and other controls reviews, and $80,000 of the 2010 amount and $85,260 of the 2009 amount was for financial statement audits of employee benefit plans.

(3) A total of $974,362 of the 2010 amount and $1,068,071 of the 2009 amount was for U.S. federal, state and local tax planning and compliance, and $1,843,777 of the 2010 amount and $1,190,254 of the 2009 amount was for international tax planning and compliance.

(4) This amount is for international human resources consulting.

Engagement Procedures. Audit Committee procedures prohibit the Committee from engaging an independent registered public accounting firm to perform any service it may not perform under the securities laws. The Audit Committee must pre-approve the independent registered public accounting firm's annual audit of our consolidated financial statements. The procedures require the Committee or its Chairperson to pre-approve or reject any other audit or non-audit services the independent registered public accounting firm is to perform. The Committee has directed that its Chairperson, with the assistance of our Chief Financial Officer, present and describe at regularly scheduled Audit Committee meetings all pre-approved services. The Committee has required management to present services for pre-approval within a specified period in advance of the date the services are to commence. The Committee regularly examines whether the fees for audit services exceed estimates. Securities regulations waive pre-approval requirements for certain non-audit services if their aggregate amount does not exceed specified amounts we pay to the independent registered public accounting firm. The procedures require the Committee or its Chairperson to approve, prior to completion of the audit, any services subject to this waiver. We have not applied the waiver to a non-audit service. The Audit Committee pre-approved all services PricewaterhouseCoopers LLP rendered to us and our subsidiaries for 2010.

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COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee determines compensation of officers listed in the Summary Compensation Table ("named officers") on page 48. Named officers include Thomas A. McDonnell, our Chief Executive Officer, and Kenneth V. Hager, our Chief Financial Officer. They also include our three executive officers other than the Chief Executive Officer and Chief Financial Officer receiving the highest total compensation for 2010: Stephen C. Hooley, who joined the Company as President and Chief Operating Officer on July 1, 2009, Steven J. Towle, who is the President of DST Output, and Robert L. Tritt who is an executive vice president responsible for our U.S. Investment Recordkeeping Solutions.

The Compensation Committee believes that our executive officer compensation practices serve the interests of the Company and its shareholders. The Compensation Committee structures the elements of the Company's compensation program to achieve various objectives, including aligning named officer and stockholder interests, attracting and retaining quality leadership, supporting a pay-for-performance philosophy, and maintaining a level of equity grants to avoid excess dilution and expense over time.

The Compensation Committee each year reviews and updates our named officer program. In 2010, we adopted a formal stock ownership requirement for our Chief Executive Officer, recognizing that our non-employee directors have long had such a requirement. The Compensation Committee adopted a clawback policy for Incentive Program and equity awards which is applicable to all awards made beginning in 2011, as further described on page 34. The Compensation Committee formally resolved not to include golden parachute excise tax gross-up provisions in future executive employment agreements, and has modified the 2005 Equity Incentive Plan to mandate three years as the minimum period for full vesting of time-based equity awards.

OBJECTIVES OF 2010 COMPENSATION

The primary components of named officer compensation packages are base salary and annual and long-term incentives. Both types of incentives are governed by the 2005 Equity Incentive Plan (the "2005 Plan"), which was approved by shareholders. Such approval facilitates the applicability to certain performance-based awards of the exception (the "162(m) Exception") to the $1 million deductibility limit under Section 162(m) of the Internal Revenue Code ("Section 162(m)").

The annual incentives are awarded under the Annual Incentive Award Program (the "Incentive Program"), which the Committee established under the 2005 Plan. The Incentive Program annually provides a named officer the opportunity to earn a percentage of base salary in the form of cash and deferred cash awards based on the level of achievement of threshold, target and maximum Company goals. The long-term incentives for 2010 were equity grants including options to purchase DST stock and of restricted stock units (rights to receive shares of DST stock upon vesting, or "RSUs"). The Committee made such grants (the "2010 Equity Grants") due to the expiration of the 2004 - 2009 performance and vesting period for upfront restricted stock that was granted in late 2004.

In structuring compensation, the Committee obtains information from management, as well as the advice of Deloitte Consulting LLP ("Deloitte"), the Committee's independent compensation consultant. Deloitte provides the Committee with general industry and peer group survey data (as combined, the "Benchmarking Data") and assists the Committee in analyzing market rates of compensation, as further described on pages 29-30.

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The following table shows the primary objectives for 2010 named officer compensation and the methods and actions the Committee chose to achieve them.

OBJECTIVE	METHODS OF ACHIEVEMENT	TO ACHIEVE OBJECTIVE, WE:
Align named officer and stockholder interests ("Stockholder Alignment")	Include, as a significant component of compensation, awards that tie vesting to achievement of short- and long-term financial and strategic objectives	Grant Incentive Program awards that constitute a significant portion of named officer compensation if goals are achieved and that are tied to sustained increases in diluted earnings per share ("EPS") and/or to achievement of business unit objectives Grant restricted stock units that vest based on named officer continued employment until goal achievement and in some cases, until the expiration of a time condition after goal achievement Granted stock options to Mr. Hooley that vest based on year-over-year improvements in EPS, and grant stock options to all named officers that vest incrementally over time based on continued employment
Attract and retain quality leadership ("Competitiveness/Retention")	Structure compensation packages with the goal that "Total Direct Compensation" and "Total Cash Compensation" (each as defined on page 30) are positioned within the 75^{th} through 90^{th} percentile of the Benchmarking Targets on page 30 if we achieve between target and maximum level goals (but less if we achieve goals below the target level) Incorporate a significant "at risk" component into compensation packages so that potential compensation is attractive and incents named officers to remain in our employ through successive, rolling vesting periods	Strive to stay within such percentile ranges, providing a combination of: Base salaries Incentive Program awards that provide named officers with significant compensation if we achieve performance goals and include, as a component of incentives at certain levels of goal achievement, a deferred cash award that is generally forfeited if the named officer voluntarily terminates employment prior to the end of the vesting period RSUs and stock options that provide level equity compensation cost over several years and aid in executive retention over a reasonably lengthy period

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OBJECTIVE	METHODS OF ACHIEVEMENT	TO ACHIEVE OBJECTIVE, WE:
Promote the health and welfare of the named officers and their commitment to the Company ("Welfare/Loyalty")	Aid named officers in health crises and aid their families in the event of their deaths Provide a level of financial diversification of unvested awards Provide programs under which named officers can save for retirement Provide benefits that balance the Board's flexibility in making management changes with protection of named officers in the event of involuntary termination of employment Reasonably promote the convenience of the named officers in the performance of their duties for the Company	Provide: Health, life and disability insurance programs Deferred cash rather than equity as the deferred component of Incentive Program awards so that Company stock is not the only long-term component of compensation Qualified and non-qualified deferral plans and programs that allow named officers to defer taxation on certain incentive and equity awards (including cash incentives, deferred cash awards, and RSU share issuances) for purposes of retirement and having emergency funds available should employment terminate pre-retirement Full or partial accelerated vesting of certain awards upon retirement and in other limited circumstances Reasonable but limited perquisites
Maintain a level of equity grants that do not cause excess dilution and expense over time ("Expense and Dilution Control")	Establish target aggregate expense levels for the annualized equity compensation (RSUs and stock options) as a percentage of pre-tax income	Limited the aggregate number of shares of RSUs and stock options we granted for 2010 by the 6-7% of Pre-Tax Income Objective described on page 30
Provide stability to the Company and limited protection to the named officers in a change in control ("Transaction Stability")	Design change in control protections in employment and award agreements to: Preserve our ability to compete for executive talent in the event of a change in control Promote stability during a change in control by encouraging our executives to cooperate with and achieve a change in control approved by the Board, without being distracted by the possibility of termination or demotion following the change in control Provide our executives with change in control severance benefits similar to those in place at other companies Make it potentially more expensive for an acquirer to dismiss one of our executives rather than one of its own executives	Include in named officer employment agreements separation pay obligations in the event of a termination without cause or resignation for good reason within the three years following a change in control Provide generally for full vesting of unvested deferred cash and equity awards upon a change in control that is followed by a termination of employment without cause or a resignation for good reason

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OBJECTIVE	METHODS OF ACHIEVEMENT	TO ACHIEVE OBJECTIVE, WE:
Structure compensation, if feasible in view of other objectives, so that the Company can obtain maximum deductibility of compensation expenses ("Deductibility")	Include as a part of compensation packages performance-based components that are designed in most circumstances to meet the requirements of the 162(m) Exception described on page 26	Base Incentive Program awards on the achievement of performance goals Incorporate a performance hurdle into restricted stock units Obtained stockholder approval of the 2005 Plan and its performance goal provisions

CONSULTANT AND MANAGEMENT SUPPORT TO THE COMMITTEE

Consultant Support. The Committee engages Deloitte Consulting LLP ("Deloitte") to advise it on executive compensation matters. The compensation consultants report to the Committee and, with the consent of the Committee, coordinate and gather information with which to advise the Committee from members of management. Decisions about the amount and form of executive compensation are made by the Compensation Committee alone and may reflect factors and considerations other than the information and advice provided by our compensation consultants or management.

During 2010, Deloitte affiliates provided certain tax-related or financial advisory services to the Company. Total fees charged for services were less than $120,000. The Committee believes that, given the scope and nature of these projects, the additional assignments have not impaired Deloitte's ability to provide an independent perspective to the Committee.

Consultant Benchmarking. The Committee utilizes an industry peer group based on companies of a similar size within the data processing and information technology services industry when determining the compensation elements and opportunities for our named officers. The peer group data, provided by the compensation consultant, assisted the Committee in establishing 2010 compensation levels for the positions of Chief Executive Officer; President and Chief Operating Officer; Vice President, Chief Financial Officer and Treasurer; and President, DST Output.

The peer group used for benchmarking purposes has changed over the years as companies have entered or exited our business, or have engaged in transactions that have resulted in the unavailability of data. The Committee adopted a peer group of 15 companies following a review by management, in conjunction with Deloitte. The 15 companies are as follows:

Alliance Data Systems Corporation	Automatic Data Processing, Inc.
Broadridge Financial Solutions, Inc.	Convergys Corporation
CSG Systems International, Inc.	Fidelity National Information Services
Fiserv, Inc.	Global Payments Inc.
IMS Health Incorporated	NCR Corporation
Paychex, Inc.	SEI Investments Co.
Teletech Holdings, Inc.	Total System Services, Inc.
Unisys Corporation	

In addition to the peer group data, Deloitte has provided the Committee with survey benchmark information gathered from hundreds of general industry and data processing companies, based on DST's size and each executive officer's responsibility level. Additionally, the survey data is used to assess the reasonableness of the peer group compensation data.

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Management Support. The Committee receives input from the Chief Executive Officer, President and Chief Operating Officer, and Chief Financial Officer regarding:

- responsibilities of individual executive officer positions
- our cost in providing benefits, amortized over vesting periods
- information as to potential achievability of goals that are incorporated into incentives
- compensation levels they believe necessary to incent and retain executive officers.

Members of management present outside counsel's written explanations of benefit laws and regulations to the Committee.

RANGES OF COMPENSATION

In determining compensation, the Committee is generally guided by ranges within which it has determined certain combined components of named officer compensation should fall, as shown below.

Compensation Type	Intended Range	Reason for Selecting the Range
Total Cash Compensation (base salary plus the current cash portion of Incentive Program awards) Total Direct Compensation (the combination of base salary, Incentive Program awards and equity awards, annualized to reflect the period of time they cover)	For each of Cash Compensation and Total Direct Compensation: the 75th percentile of the Benchmarking Data if we achieve target Incentive Program goals the 90th percentile of such data if we achieve maximum Incentive Program goals (the above percentiles are the "Benchmarking Targets")	The Committee sets the Benchmarking Targets in the upper quartile of the Benchmarking Data because: a significant portion of named officer compensation is at risk the highly competitive nature of our industry warrants higher levels of potential compensation to allow us to attract and retain the quality leadership needed to succeed companies that achieve similar levels of performance over a period of time are generally ranked in the upper quartile of the Benchmarking Targets.
Equity Grants	Equity compensation to all eligible employees, considered over the grant period, should approximate no more than 6% to 7% of consolidated annual pre-tax income ("Pre-Tax Income Objective").*	Based on a review of industry practice, the Committee believes the objective is conservative and uncommon and represents a best practice beneficial to shareholders.

*

Company results cannot be predicted with certainty, so the Committee cannot guarantee this result.

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The following chart compares the 2010 compensation for the named officers and competitive compensation levels from the Benchmarking Data.

Compensation Component	Average Positioning of Named Officer Compensation to Benchmarking Data(*)	Range of Competitive Positioning of Named Officer Compensation
Base Salary	9% Below Median	24% Below Median to 4% Above Median
Target Total Cash Compensation	1% Above 75th Percentile	29% Below 75th Percentile to 35% Above 75th Percentile
Target Total Direct Compensation	11% Below 75th Percentile	37% Below 75th Percentile to 15% Above 75th Percentile

(*) The positioning is based on an assumption that we meet target Incentive Program goals.

For all named officers, including Messrs. McDonnell and Hooley, the Compensation Committee applies the same ranges and objectives set forth above and considers the same Benchmarking Data.

DIFFERENCES IN COMPENSATION LEVELS

The 2010 overall compensation of, and individual compensation components for, Messrs. McDonnell and Hooley exceeded that of the other named officers primarily because market compensation rates of base salary and other components for chief executive officers, presidents and chief operating officers exceed the market rates and components for other named officer positions. The long tenure with the Company of approximately 42 years for Mr. McDonnell, sustained long-term individual performance, and level of responsibility factored into his base salary and Incentive Program opportunity levels. The Company's desire to recruit Mr. Hooley based on familiarity with his skills and leadership, his level of responsibility in his new positions with the Company, his achievements at Boston Financial, our joint venture which he led prior to joining DST, and his experience with our operations factored into his base salary and Incentive Program opportunity levels.

CEO COMPENSATION COMPARISON TO 2009

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