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TOTAL SYSTEM SERVICES INC
Form DEF 14A
February 27, 2004

SCHEDULE 14A INFORMATION

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

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for use of the Commission Only
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 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to Section 240.14a-12

Total System Services, 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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TSYS (R) (LOGO)

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Philip W. Tomlinson
Chief Executive Officer

March 10, 2004

Dear Shareholder:

You are cordially invited to attend our Annual Meeting of Shareholders at 10:00 a.m. on Thursday, April 15, 2004, at the TSYS Riverfront Campus Auditorium, 1600 First Avenue, Columbus, Georgia. Enclosed with this Proxy Statement are your proxy card and the 2003 Annual Report.

We hope that you will be able to be with us and let us give you a review of 2003. If you are unable to attend the meeting, you can listen to it live and view the slide presentation over the Internet. You can access the meeting by going to our website at www.tsys.com. Additionally, we will maintain copies of the slides and audio of the presentation to the 2004 Annual Meeting on the website for reference after the meeting.

Whether you own a few or many shares of stock and whether or not you plan to attend in person, it is important that your shares be voted on matters that come before the meeting. To make sure your shares are represented, we urge you to vote promptly.

Thank you for helping us make 2003 a good year. We look forward to your continued support in 2004 and another good year.

Sincerely yours,

/s/Philip W. Tomlinson
Philip W. Tomlinson

Total System Services, Inc. Post Office Box 2506 Columbus, Georgia 31902-2506

TOTAL SYSTEM SERVICES, INC.(R)

NOTICE OF THE 2004 ANNUAL MEETING OF SHAREHOLDERS

TIME..... 10:00 a.m. E.T.
Thursday, April 15, 2004

PLACE..... TSYS Riverfront Campus Auditorium
1600 First Avenue
Columbus, Georgia 31901

ITEMS OF BUSINESS.. (1) To elect seven directors to serve until the Annual Meeting of Shareholders in 2007.
(2) To ratify the appointment of KPMG LLP as our independent auditor for the year 2004.
(3) To transact such other business as may properly come before the meeting and any adjournment thereof.

WHO MAY VOTE..... You can vote if you were a shareholder of record on February 17, 2004.

ANNUAL REPORT..... A copy of the Annual Report is enclosed.

PROXY VOTING..... Your vote is important. Please vote in one of these ways:

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- (1) Use the toll-free telephone number shown on the proxy card;
- (2) Visit the website listed on your proxy card;
- (3) Mark, sign, date and promptly return the enclosed proxy card in the postage-paid envelope provided; or
- (4) Submit a ballot at the Annual Meeting.

/s/G. Sanders Griffith, III
G. Sanders Griffith, III
Secretary

Columbus, Georgia
March 10, 2004

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING,
PLEASE VOTE YOUR SHARES PROMPTLY.

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PROXY STATEMENT

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VOTING INFORMATION

PURPOSE

This Proxy Statement and the accompanying proxy card are being mailed to TSYS shareholders beginning March 10, 2004. The TSYS Board of Directors is soliciting proxies to be used at the 2004 Annual Meeting of TSYS Shareholders which will be held on April 15, 2004, at 10:00 a.m., at the TSYS Riverfront Campus Auditorium, 1600 First Avenue, Columbus, Georgia. Proxies are solicited to give all shareholders of record an opportunity to vote on matters to be presented at the Annual Meeting. In the following pages of this Proxy Statement, you will find information on matters to be voted upon at the Annual Meeting of Shareholders or any adjournment of that meeting.

WHO CAN VOTE

You are entitled to vote if you were a shareholder of record of TSYS stock as of the close of business on February 17, 2004. Your shares can be voted at the meeting only if you are present or represented by a valid proxy.

QUORUM AND SHARES OUTSTANDING

A majority of the outstanding shares of TSYS stock must be present, either in person or represented by proxy, in order to conduct the Annual Meeting of TSYS Shareholders. On February 17, 2004, 196,846,029 shares of TSYS stock were outstanding.

COLUMBUS BANK AND TRUST COMPANY

Columbus Bank and Trust Company(R) ("CB&T") owned individually 159,630,980 shares, or 81.1%, of the outstanding shares of TSYS stock on February 17, 2004. CB&T(R) is a wholly owned banking subsidiary of Synovus Financial Corp.(R), a diversified financial services company.

PROXY CARD

The Board has designated two individuals to serve as proxies to vote the shares represented by proxies at the Annual Meeting of Shareholders. If you sign the proxy card but do not specify how you want your shares to be voted, your shares will be voted by the designated proxies FOR the election of all of the director nominees and FOR the ratification of the appointment of KPMG LLP as TSYS' independent auditor for the year 2004. The designated proxies will vote in their discretion on any other matter that may properly come before the meeting. At the date the Proxy Statement went to press, we did not anticipate that any other matters would be raised at the Annual Meeting.

VOTING OF SHARES

Each share of TSYS stock represented at the Annual Meeting is entitled to one vote on each matter properly brought before the meeting. All shares entitled to vote and represented in person or by properly executed proxies received before the polls are closed at the Annual Meeting, and not revoked or superseded, will be voted at the Annual Meeting in accordance with the instructions indicated on those proxies.

TSYS Dividend Reinvestment and Direct Stock Purchase Plan: If you participate in this Plan, your proxy card represents shares held in the Plan, as well as shares you hold in certificate form registered in the same name.

REQUIRED VOTES

Directors are elected by a plurality of the votes, which means the seven

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nominees who receive the largest number of properly executed votes will be elected as directors. Each share of TSYs stock is entitled to one vote for each of seven director nominees. Cumulative voting is not permitted. Shares that are represented by proxies which are marked "withhold authority" for the election of one or more director nominees will not be counted in determining the number of votes cast for those persons.

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The affirmative vote of a majority of the votes cast (in person or by proxy and entitled to vote at the Annual Meeting) is needed to ratify the appointment of KPMG LLP as TSYs' independent auditor for 2004.

TABULATION OF VOTES

Under certain circumstances, brokers are prohibited from exercising discretionary authority for beneficial owners who have not returned proxies to the brokers (so-called "broker non-votes"). In these cases, and in cases where the shareholder abstains from voting on a matter, those shares will be counted for the purpose of determining if a quorum is present, but will not be included in the vote totals with respect to those matters and, therefore, will have no effect on the vote. In addition, if a broker indicates on the proxy card that it does not have discretionary authority on other matters considered at the meeting, those shares will not be counted in determining the number of votes cast with respect to those matters.

HOW YOU CAN VOTE

You may vote by proxy or in person at the meeting. To vote by proxy, you may select one of the following options:

Vote By Telephone:

You can vote your shares by telephone by calling the toll-free telephone number (at no cost to you) shown on your proxy card. Telephone voting is available 24 hours a day, seven days a week. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded. Our telephone voting procedures are designed to authenticate the shareholder by using individual control numbers. If you vote by telephone, you do NOT need to return your proxy card.

Vote By Internet:

You can also choose to vote on the Internet. The website for Internet voting is shown on your proxy card. Internet voting is available 24 hours a day, seven days a week. You will be given the opportunity to confirm that your instructions have been properly recorded, and you can consent to view future proxy statements and annual reports on the Internet instead of receiving them in the mail. If you vote on the Internet, you do NOT need to return your proxy card.

Vote By Mail:

If you choose to vote by mail, simply mark your proxy card, date and sign it, and return it in the postage-paid envelope provided.

REVOCAION OF PROXY

If you vote by proxy, you may revoke that proxy at any time before it is voted at the meeting. You may do this by (a) signing another proxy card with a later date and returning it to us prior to the meeting, (b) voting again by telephone or on the Internet prior to the meeting, or (c) attending the

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meeting in person and casting a ballot.

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CORPORATE GOVERNANCE AND BOARD MATTERS

CORPORATE GOVERNANCE PHILOSOPHY

The business affairs of TSYS are managed under the direction of the Board of Directors in accordance with the Georgia Business Corporation Code, as implemented by TSYS' Articles of Incorporation and bylaws. The role of the Board of Directors is to effectively govern the affairs of TSYS for the benefit of its shareholders and other constituencies. The Board strives to ensure the success and continuity of business through the election of qualified management. It is also responsible for ensuring that TSYS' activities are conducted in a responsible and ethical manner. TSYS is committed to having sound corporate governance principles.

INDEPENDENCE

The Board has determined that a majority of its members are "independent" as defined by the listing standards of the New York Stock Exchange and TSYS' Corporate Governance Guidelines. TSYS' Board has determined that the following directors are independent: Richard Y. Bradley, G. Wayne Clough, Walter W. Driver, Jr., Sidney E. Harris, John P. Illges, III, Mason H. Lampton, W. Walter Miller, Jr., H. Lynn Page and Rebecca K. Yarbrough. The standards set and used by the Board to determine the independence of directors and committee members (which are incorporated within our Corporate Governance Guidelines) are available in the Corporate Governance section of our website at www.tsys.com/finance. All independent directors of TSYS meet the standards for independence set by the Board. Although TSYS is a "controlled" company under the rules of the NYSE as a result of its 81.1% ownership by Synovus and CB&T, and as such is entitled to an exemption from the independence requirements for its Board and its Corporate Governance and Nominating Committee and Compensation Committee, TSYS has not chosen to take advantage of this exemption.

ATTENDANCE AT MEETINGS

The Board of Directors held five meetings in 2003. All directors attended at least 75% of Board and committee meetings held during their tenure during 2003. The average attendance by directors at the aggregate number of Board and committee meetings they were scheduled to attend was 98%. Although TSYS has no formal policy with respect to Board members' attendance at its annual meetings, it is customary for all Board members to attend as there is a Board meeting immediately preceding the annual meeting. Fifteen of our then sixteen directors attended the 2003 Annual Meeting of Shareholders.

COMMITTEES OF THE BOARD

TSYS' Board of Directors has four principal standing committees -- an Executive Committee, an Audit Committee, a Corporate Governance and Nominating Committee and a Compensation Committee. Each committee has a written charter that complies with the listing standards of the NYSE pertaining to corporate governance. Copies of the committee charters are available in the Corporate Governance section of our website at www.tsys.com/finance. The Board has determined that each member of the Audit, Corporate Governance and Nominating and Compensation Committees is an "independent" director as defined by the listing standards of the NYSE and our Corporate Governance Guidelines. The following table shows the membership of the various committees.

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Executive	Audit	Corporate Governance and Nominating	
James H. Blanchard, Chair	John P. Illges, III, Chair	Richard Y. Bradley, Chair	M
Richard Y. Bradley	Sidney E. Harris	Walter W. Driver, Jr.	G
G. Wayne Clough	H. Lynn Page	Rebecca K. Yarbrough	
John P. Illges, III			
Mason H. Lampton			
Philip W. Tomlinson			
Richard W. Ussery			

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Executive Committee. TSYS' Executive Committee held five meetings in 2003. During the intervals between meetings of TSYS' Board of Directors, TSYS' Executive Committee possesses and may exercise any and all of the powers of TSYS' Board of Directors in the management and direction of the business and affairs of TSYS with respect to which specific direction has not been previously given by TSYS' Board of Directors.

Audit Committee. TSYS' Audit Committee held nine meetings in 2003. Its Report begins on page 11. A copy of the Audit Committee charter, which contains a detailed list of the Committee's functions, is attached to this Proxy Statement as Appendix A. The Board has determined that all three members of the Committee are financially literate under the rules of the NYSE and that H. Lynn Page is an "audit committee financial expert" as defined by the rules of the Securities and Exchange Commission. The primary functions to be engaged in by TSYS' Audit Committee include:

- . Monitoring the integrity of TSYS' financial statements, TSYS' systems of internal controls and TSYS' compliance with regulatory and legal requirements;
- . Monitoring the independence, qualifications and performance of TSYS' independent auditor and internal auditing activities; and
- . Providing an avenue of communication among the independent auditor, management, internal audit and the Board of Directors.

Corporate Governance and Nominating Committee. TSYS' Corporate Governance and Nominating Committee held three meetings in 2003. The primary functions to be engaged in by TSYS' Corporate Governance and Nominating Committee include:

- . Identifying qualified individuals to become Board members;
- . Recommending to the Board the director nominees for each annual meeting of shareholders and director nominees to be elected by the Board to fill interim director vacancies;
- . Overseeing the annual review and evaluation of the performance of the Board and its committees; and
- . Developing and recommending to the Board corporate governance guidelines.

Compensation Committee. TSYS' Compensation Committee held five meetings in 2003. Its Report on Executive Compensation begins on page 17. The primary functions to be engaged in by TSYS' Compensation Committee include:

- . The design and oversight of TSYS' executive compensation program;

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- . The design and oversight of all compensation and benefit programs in which employees and officers of TSYS are eligible to participate; and
- . Performing an annual evaluation of the Chief Executive Officer.

CONSIDERATION OF DIRECTOR CANDIDATES

Shareholder Candidates. The Corporate Governance and Nominating Committee will consider candidates for nomination as a director submitted by shareholders. Although the Committee does not have a separate policy that addresses the consideration of director candidates recommended by shareholders, the Board does not believe that such a separate policy is necessary as TSYS' bylaws permit shareholders to nominate candidates and as one of the duties set forth in the Corporate Governance and Nominating Committee charter is to review and consider director candidates submitted by shareholders. The Committee will consider individuals recommended by shareholders for nomination as directors in accordance with TSYS' bylaws and in accordance with the procedures described under "Shareholder Proposals and Nominations" on page 23.

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Director Qualifications. TSYS' Corporate Governance Guidelines contain Board membership criteria considered by the Corporate Governance and Nominating Committee in recommending nominees for a position on TSYS' Board. The Committee believes that, at a minimum, a director candidate must possess personal and professional integrity, sound judgment and forthrightness. A director candidate must also have sufficient time and energy to devote to the affairs of TSYS, be free from conflicts of interest with TSYS, must not have reached the retirement age for TSYS directors and be willing to make, and financially capable of making, the required investment in TSYS' stock pursuant to TSYS' Director Stock Ownership Guidelines. The Committee also considers the following criteria when reviewing a director candidate:

- .. The extent of the director's/potential director's business acumen and experience;
- .. Whether the director/potential director assists in achieving a mix of Board members that represents a diversity of background and experience, including with respect to age, gender, race, place of residence and specialized experience;
- .. Whether the director/potential director meets the independence requirements of the listing standards of the NYSE;
- .. Whether the director/potential director would be considered a "financial expert" or "financially literate" as defined in the listing standards of the NYSE;
- .. Whether the director/potential director, by virtue of particular technical expertise, experience or specialized skill relevant to TSYS' current or future business, will add specific value as a Board member; and
- .. Whether the director/potential director possesses a willingness to challenge and stimulate management and the ability to work as part of a team in an environment of trust.

IDENTIFYING AND EVALUATING NOMINEES

The Corporate Governance and Nominating Committee has two primary methods for identifying director candidates (other than those proposed by TSYS' shareholders, as discussed above). First, on a periodic basis, the Committee

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solicits ideas for possible candidates from a number of sources including members of the Board, TSYS executives and individuals personally known to the members of the Board. Second, the Committee is authorized to use its authority under its charter to retain at TSYS' expense one or more search firms to identify candidates (and to approve such firms' fees and other retention terms).

The Committee will consider all director candidates identified through the processes described above, and will evaluate each of them, including incumbents, based on the same criteria. The director candidates are evaluated at regular or special meetings of the Committee and may be considered at any point during the year. If based on the Committee's initial evaluation a director candidate continues to be of interest to the Committee, the Chair of the Committee will interview the candidate and communicate his evaluation to the other Committee members and executive management. Additional interviews are conducted, if necessary, and ultimately the Committee will meet to finalize its list of recommended candidates for the Board's consideration.

One nominee for election as a director, John T. Turner, has not previously served as a director of TSYS. Mr. Turner was recommended to the Committee for consideration as a director nominee by an executive officer (other than the chief executive officer) of TSYS.

MEETINGS OF NON-MANAGEMENT DIRECTORS

The non-management directors of TSYS meet separately at least four times a year after each regularly scheduled meeting of the Board of Directors. G. Wayne Clough, TSYS' Lead Director, presides at the meetings of non-management directors.

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COMMUNICATING WITH THE BOARD

TSYS' Board provides a process for shareholders to communicate with the Board. Shareholders may communicate with the Board by writing the Board of Directors, Total System Services, Inc., c/o General Counsel's Office, 901 Front Avenue, Suite 301, Columbus, Georgia 31901. Additional procedures by which shareholders can communicate with the non-management directors are available in the Corporate Governance section of our website at www.tsys.com/finance.

ADDITIONAL INFORMATION ABOUT CORPORATE GOVERNANCE

TSYS has adopted Corporate Governance Guidelines which are regularly reviewed by the Corporate Governance and Nominating Committee. We have also adopted a Code of Business Conduct and Ethics which is applicable to all directors, officers and employees. In addition, we maintain procedures for the confidential, anonymous submission of any complaints or concerns about TSYS, including complaints regarding accounting, internal accounting controls or auditing matters. Shareholders may access TSYS' Corporate Governance Guidelines, Code of Business Conduct and Ethics, each committee's current charter, procedures for shareholders to communicate with the non-management directors and procedures for reporting complaints and concerns about TSYS, including complaints concerning accounting, internal accounting controls and auditing matters in the Corporate Governance section of our website at www.tsys.com/finance.

DIRECTOR COMPENSATION AND STOCK OWNERSHIP GUIDELINES

COMPENSATION

Directors of TSYS receive the following compensation:

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Annual retainer.....	\$25,000
Annual retainer for committee chair, excluding executive.....	\$ 2,000
Attendance fee for each Board meeting.....	\$ 1,800
Attendance fee for each Executive Committee meeting, including the chairman.....	\$ 1,800
Attendance fee for each committee meeting chaired, other than executive.....	\$ 1,200
Attendance fee for committee meetings, other than executive.....	\$ 750

The Executive Committee has non-voting advisory members who are compensated in the same manner as committee members. Directors may elect to defer all or a portion of their cash compensation. Deferred amounts are deposited into one or more investment funds chosen by the director. All deferred fees are payable only in cash.

DIRECTOR STOCK PURCHASE PLAN

TSYS' Director Stock Purchase Plan is a nontax-qualified, contributory stock purchase plan pursuant to which qualifying TSYS directors can purchase, with the assistance of contributions from TSYS, presently issued and outstanding shares of TSYS stock. Under the terms of the Director Stock Purchase Plan, qualifying directors can elect to contribute up to \$5,000 per calendar quarter to make purchases of TSYS stock, and TSYS contributes an additional amount equal to 50% of the directors' cash contributions. Participants in the Director Stock Purchase Plan are fully vested in, and may request the issuance to them of, all shares of TSYS stock purchased for their benefit under the Plan.

STOCK OWNERSHIP GUIDELINES

Under TSYS' stock ownership guidelines for directors, all directors are required to accumulate over time shares of TSYS stock equal in value to at least three times the value of the annual retainer.

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PROPOSALS TO BE VOTED ON

PROPOSAL 1: ELECTION OF DIRECTORS

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" ALL NOMINEES.

NUMBER

The Board of Directors of TSYS consists of 17 members. As 18 board seats have been authorized by TSYS' shareholders, TSYS has one directorship which remains vacant. This vacant directorship could be filled in the future at the discretion of TSYS' Board of Directors. This discretionary power gives TSYS' Board of Directors the flexibility of appointing new directors in the periods between TSYS' Annual Meetings should suitable candidates come to its attention. The Board is divided into three classes whose terms are staggered so that the term of one class expires at each Annual Meeting of Shareholders. The terms of office of the Class I directors expire at the 2005 Annual Meeting, the terms of office of the Class II directors expire at the 2006 Annual Meeting and the terms of office of the Class III directors expire at the 2004 Annual Meeting. Proxies cannot be voted at the 2004 Annual Meeting for a greater number of persons than the number of nominees named.

NOMINEES

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The following nominees have been selected by the Corporate Governance and Nominating Committee and approved by the Board for submission to the shareholders: Sidney E. Harris, Alfred W. Jones III, Mason H. Lampton, John T. Turner, M. Troy Woods, James D. Yancey and Rebecca K. Yarbrough, each to serve a three year term expiring at the Annual Meeting in the year 2007.

The Board believes that each director nominee will be able to stand for election. If any nominee becomes unable to stand for election, proxies in favor of that nominee will be voted in favor of the remaining nominees and in favor of any substitute nominee named by the Board upon the recommendation of the Corporate Governance and Nominating Committee. If you do not wish your shares voted for one or more of the nominees, you may so indicate on the proxy.

MEMBERS OF THE BOARD OF DIRECTORS

Following is the principal occupation, age and certain other information for each director nominee and other directors serving unexpired terms.

Name	Age	TSYS Director Classifi- cation	Year First Elected Director	Principal Occupation and Other Information
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James H. Blanchard