



333 West 11th Street  
Kansas City, MO 64105

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

**Tuesday, May 11, 2010**

**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 22, 2010.**

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

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**Proxy Statement  
and  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

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We invite you to attend our annual meeting of stockholders.

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

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

Date: Tuesday, May 11, 2010

Stockholders will consider and vote upon the following matters:

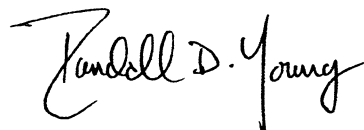
- Election of the Company's three nominees for Director, each to serve a three-year term expiring upon the 2013 Annual Meeting of Stockholders or until a successor is duly elected and qualified
- Approval of 2005 Equity Incentive Plan Performance Goal Provisions
- Ratification of the Audit Committee's Selection of Independent Registered Public Accounting Firm

The record date for determining which stockholders may vote at this meeting or any adjournment is March 12, 2010. 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 three 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 3, 2010, 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 22, 2010.

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

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**PROXY STATEMENT**

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**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2010 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 11, 2010: THE PROXY STATEMENT FOR SUCH MEETING AND THE ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2009 ARE AVAILABLE AT [www.edocumentview.com/DST](http://www.edocumentview.com/DST).**

## PROXY STATEMENT

On or about March 22, 2010, we began delivering to you, our stockholders of record at the close of business on March 12, 2010 (our record date), this Proxy Statement for our 2010 annual stockholders' meeting and our Annual Report on Form 10-K for the fiscal year ended December 31, 2009. 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 11, 2010, at our principal executive offices, 333 West 11<sup>th</sup> Street, 3<sup>rd</sup> Floor, Kansas City, Missouri 64105. At the meeting, our Board of Directors will present three 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 three proposals. 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 Thomas A. McDonnell, Chief Executive Officer, Kenneth V. Hager, Chief Financial Officer, and Randall D. Young, 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](http://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. 11<sup>th</sup> Street, 5<sup>th</sup> Floor  
Kansas City, MO 64105

***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 A. Edward Allinson, Michael G. Fitt, and Robert T. Jackson for a three-year term expiring in 2013 or until their successors are elected and qualified. They are willing and able to continue serving as directors.

Mr. Allinson has served on our Board during two separate periods aggregating 28 years. Mr. Fitt has served on our Board for over 14 years. Mr. Jackson has served on our Board for approximately two and one-half years. All three are retired from executive positions at other companies, as described in the Service and Qualifications section beginning at page 12.

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  
MESSRS. ALLINSON, FITT, AND JACKSON***

**PROPOSAL 2**  
**APPROVE 2005 EQUITY INCENTIVE PLAN PERFORMANCE GOAL PROVISIONS**

In 2005, our Board adopted and our stockholders approved the DST Systems, Inc. 2005 Equity Incentive Plan, which we refer to in this Proxy Statement as the “Plan,” or the “2005 Plan” and which was previously known as the 1995 Stock Option and Performance Award Plan (the “1995 Plan”). The 2005 Plan is an omnibus equity compensation plan that provides the Company, its subsidiaries and joint ventures the means by which to grant annual and long-term incentive compensation to key employees. The types of awards available under the Plan are annual incentive awards, stock options, stock appreciation rights (“SARs”), restricted stock, performance units in the form of cash or stock, restricted stock units (“RSUs”), deferred stock, dividend equivalents, anniversary service awards, and substitute awards, as further described below.

In May 2005, we obtained stockholder approval of the 2005 Plan, in part for reasons related to Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations promulgated thereunder. Code Section 162(m) imposes a \$1 million limit on the deductibility of certain compensation but allows an exception to such limit for qualified performance-based compensation (“162(m) Exception”). The stockholder approval we obtained in 2005 has allowed compensation related to awards under the Plan to qualify for the 162(m) Exception. Code Section 162(m) allows certain forms of performance-based compensation to continue qualifying for the 162(m) Exception only if stockholders approve certain material terms of the performance-based compensation every five years. Five years have elapsed since stockholder approval and we are resubmitting performance goal terms and conditions to stockholders. Approval will allow us to continue applying the 162(m) Exception to our performance-based compensation.

On February 23, 2010, our Board amended and restated the 2005 Plan to make certain updates for which stockholder approval was not required. The 2010 amendments included updating the performance measures and increasing the maximum annual cash amount that may be paid under the Plan to any employee whose compensation is subject to Code Section 162(m). We are requesting you to approve the material terms of the business criteria and performance measures under which incentive compensation is to be paid (the “Performance Measures”), as well as the Plan provisions on participant eligibility for awards and limits that annually apply to participant awards (collectively, “Performance Goal Provisions”). Our Board believes that, due to the 162(m) Exception, stockholder approval of the Performance Goal Provisions will potentially increase our after-tax per share earnings.

**PERFORMANCE GOAL PROVISIONS**

**Participant Eligibility.** The Compensation Committee may select employees and consultants of DST and its subsidiaries and joint ventures to participate in the Plan. As of February 26, 2010, approximately 8,900 domestic employees were employed more than 20 hours per week and therefore eligible to receive anniversary service awards. Approximately 700 persons had outstanding stock options, and approximately 340 employees were at management levels currently considered by the Committee as eligible to receive other types of awards under the Plan, and most of these optionees and managers are included in the number of persons eligible to receive anniversary service awards.

**Performance Measures.** At the discretion of the Compensation Committee, any of the 2005 Plan awards described below may be contingent on attainment of one or more of the following Performance Measures:

- Earnings measures, including net earnings on either a LIFO, FIFO or other basis
- Operating measures, including operating income, operating earnings or operating margin
- Income or loss measures, including net income or net loss

- Cash flow measures, including cash flow or free cash flow
- Revenue measures
- Reductions in expense measures
- Operating and maintenance cost management and employee productivity measures
- Company return measures, including return on assets, investments, equity, or sales
- Growth or rate of growth of any of the Performance Measures set forth herein
- Share price (including attainment of a specified per-share price during the performance period, growth measures and total stockholder return or attainment of a specified share price for a specified period of time)
- Strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market share, market penetration, business expansion targets, project milestones, production volume levels and cost targets
- Accomplishment of, or goals related to, mergers, acquisitions, dispositions, public offerings or similar extraordinary business transactions
- Achievement of business or operational goals such as market share, business development and/or customer objectives.

Where applicable, Performance Measures will be expressed in terms of attaining a specified level of the particular criteria or attaining a specified increase (or decrease) in the particular criteria and may be applied to the performance of the Company as a whole, to one or more affiliates, or to a department, unit, division or function of the Company or an affiliate or to an employee, all as determined by the Compensation Committee. The Committee determines the terms, conditions and limitations applicable to any award that is subject to the attainment of the Performance Measures. Performance Measures may include levels of performance at which varying amounts and types of awards will be made or specified vesting will occur. The achievement of Performance Measures will be subject to certification by the Committee. The Committee has the authority to adjust the Performance Measures, provided that the Committee may adjust the degree of attainment of the Performance Measures only before the end of a performance period and may not make an adjustment that would result in additional compensation for any employee whose compensation could be non-deductible under Code Section 162(m). In no event will the performance period for any performance-based equity award be less than one year.

**Annual Award Limits.** The annual limit in our Plan for cash awards to an individual participant is 600% of base salary (up to a maximum of \$2,000,000 of base salary), or \$12,000,000. Current annual cash awards do not approach this limit for any Plan participant. The limit we are submitting for your approval is higher than the \$6,000,000 cash award limit (600% of base salary (up to a maximum of \$1,000,000 of base salary)) approved by stockholders in 2005. The Board amended the limit so that the Compensation Committee has the discretion and flexibility to make cash awards as it deems appropriate, even if current executive officer base salary or incentive opportunity levels increase. Increases could occur for inflationary or benchmarking reasons or for purposes of executive officer recruitment, retention or performance. In addition to the annual cash award limit, the maximum number of shares with respect to which an individual may be granted awards in one year is 800,000. This maximum number of shares limit has not changed from the limit approved by stockholders in 2005.

### ***OTHER PRINCIPLE PLAN FEATURES***

**Shares Authorized under the Plan.** A total of 4,000,000 shares of DST stock are reserved for awards under the Plan, plus shares remaining under the 1995 Plan; plus shares becoming available for reasons such as award forfeiture or lapse or, in certain circumstances, share withholding for taxes; plus any shares required to satisfy substitute awards.

The maximum number of shares could increase or decrease based on stock splits, the effects of corporate transactions, and other significant events. As of February 26, 2010, 4,811,680 shares of DST stock remain available for issuance under the Plan.

**Plan Benefits.** Future benefits under the Plan are not currently determinable. The benefits to any officer, employee or consultant from future equity awards will not increase by reason of approval of this proposal. The Compensation Committee will determine whether to make future awards and vesting and other terms and conditions that will apply to any such awards. Whether future awards will be made will depend on Committee action. The value of any future equity awards will ultimately depend on vesting and on the future price of DST stock, among other factors. For additional details on the Plan awards granted as compensation for and during 2009, please refer to the named officer compensation tables beginning at page 50 of this Proxy Statement.

**Administration.** The Compensation Committee, which is comprised entirely of independent directors, or another committee of our Board that meets specified independence criteria, administers the Plan. The Committee may interpret and administer the Plan, and, subject to certain limitations contained in the Plan, may establish, amend, suspend or waive rules relating to the Plan. The Committee may make any other determination and take any other action that may be necessary or advisable for administration of the Plan. Except as otherwise expressly provided in the Plan, all determinations, designations, interpretations, and other decisions of the Committee are final, conclusive and binding. All determinations of the Committee under the Plan shall be made only if there is a quorum for Committee action and by a majority of members present but no less than two members.

**Transferability.** Unless otherwise determined by the Compensation Committee, awards granted under the Plan are not transferable except by will or the laws of descent and distribution. To the extent allowed by the Committee or as may be provided in an award agreement, an award (other than an Incentive Stock Option) may be transferred to certain family members as specified in the Plan.

**Change in Control.** If there is a change in control (as defined in the Plan), the Compensation Committee may provide for the cash-out of any award, adjust the award as appropriate to reflect the change in control, or cause the award to be assumed or a substitute award to be granted by the survivor. Except where an award agreement or other agreement approved by the Committee addresses the effect of a change in control or termination following a change in control, if DST (or its successor) were to terminate a grantee's employment (other than a termination for cause) within the three-year period following a change in control, all awards held by such grantee will become fully vested or exercisable and any performance goals relating to outstanding awards are deemed satisfactorily completed without any action required by the Committee.

**Amendment, Modification, and Termination.** Our Board may amend or terminate the Plan without stockholder approval unless required by any federal or state law or regulation or the rules of any stock exchange on which DST stock is traded. However, unless permitted by the Plan or the terms of the award, no amendment or termination may materially adversely affect any outstanding award without the grantee's consent.

**Effective Date; Term of the Plan.** The effective date of the 2005 amendment and restatement to the 1995 Plan is May 10, 2005 and the effective date of this proposal if approved would be May 11, 2010. No awards may be granted under the Plan after May 9, 2015, but awards made before that date

may continue to be exercisable and/or to vest after that date, and will otherwise be governed by the terms of the Plan.

#### ***AWARDS UNDER THE PLAN***

Subject to Plan limits, the Compensation Committee determines the size of awards. The Committee may grant shares of DST stock and the following types of awards, any or all of which may be made contingent on continued employment and/or achievement of performance-based criteria:

**Annual Incentive Awards.** The Committee must designate individuals eligible for an annual incentive award within the first 90 days of a year, with certain exceptions. The Committee will establish performance goals from among the performance measures listed above and will establish the threshold and maximum bonus opportunities for each participant for the attainment of specified levels of performance goals. Performance goals and bonus opportunities may be weighted for different factors and measures. The Committee will certify the degree of attainment of performance goals within 90 days after the end of each year, and annual incentive awards will be paid as soon as administratively practicable after the certification.

**Options.** The Committee may grant non-qualified and incentive stock options. In addition, the Committee may permit eligible individuals to elect to receive, in lieu of all or a portion of salary or bonus, options having a market value (determined under the Black-Scholes option pricing method or other method determined by the Committee) equal to the amount of salary or bonus foregone. Options are subject to the terms and conditions, including vesting conditions, set by the Committee. Incentive stock options are subject to further statutory restrictions as set forth in the Plan. The term of an option will generally be no longer than ten years, although the Committee may set a longer or shorter term. Each option gives the grantee the right to receive a number of shares of DST stock upon exercise of the option and payment of the option price. The option price may be paid by cash (including cash obtained through a broker selling the shares acquired on exercise) or, if approved by the Committee, shares of DST stock or restricted DST stock. Repricing of options is prohibited unless approved by our stockholders.

**Stock Appreciation Rights.** The Committee may grant an SAR either alone or in addition to other Plan awards, including in connection with an option. Subject to the terms of the Plan, a grantee will have the right to receive upon exercise of an SAR an amount equal to the excess of the fair market value of one share of DST stock on the date of exercise, over the strike price, which in no event may be less than the fair market value of a share of DST stock on the SAR grant date. Payment may be made in cash, DST stock, other awards or other property, in any combination.

**Restricted Stock.** Restricted stock is DST stock that is forfeitable until the restrictions lapse. The Committee may impose time-based restrictions or performance-based restrictions or both on restricted stock. Time-based restrictions may lapse over time, but (other than time-based restrictions following the achievement of specific performance goals) may not lapse entirely prior to the third anniversary of the grant date except for death, disability, retirement, change in control or certain terminations of employment following a change in control.

**Performance Units.** Performance units are cash or stock awards that are payable at the end of a performance period established by the Committee, in an amount or number that depends on the extent to which the performance goals established by the Committee are satisfied.

**Restricted Stock Units and Deferred Stock.** An RSU is the right to receive a share of DST stock upon satisfaction of conditions specified by the Committee, which may be time-based or performance-based. Deferred stock is the right to receive shares of DST stock upon the expiration of a specified deferral period. The Committee may grant RSUs and deferred stock on a stand-alone basis or pursuant

to the election of a grantee to defer payment or distribution of certain awards. Time-based restrictions may lapse over time, but (other than time-based restrictions following the achievement of specific performance goals) may not lapse entirely prior to the third anniversary of the grant date except for death, disability, retirement or change in control or certain terminations of employment following a change in control.

**Dividend Equivalents.** The Committee may at its discretion grant dividend equivalents with restricted stock, RSUs and stock-based performance units. Dividend equivalents will only be made with respect to other outstanding awards and cannot be granted as a stand-alone right without any underlying award. Dividend equivalents are subject to the same restrictions and other terms as apply to the underlying award with respect to which such dividend equivalent is credited, and in no event will the payment of the dividend equivalent be made before the underlying award is payable.

**Anniversary Service Awards.** Anniversary service awards consist of shares granted as of the end of a calendar quarter to employees of DST and designated affiliates who have attained a number of years of service in such quarter that is divisible by five and yields a whole number. The number of shares is equal to the number of the individual's years of service, e.g., five shares for five years of service, ten shares for ten years of service, etc. The Chief Executive Officer or his delegate administers the anniversary service award program, and grants are automatic except that the Committee administers such program and grants such awards to certain participants required to file stock ownership reports with the Securities and Exchange Commission. Such awards are accompanied by a cash payment (a gross-up) intended to be applied toward applicable taxes on the service awards.

**Substitute Awards.** The Committee may grant substitute awards in replacement of stock and stock-based awards held by current and former employees or non-employee directors of, or consultants to, another business that is, or whose stock is, acquired by DST or an affiliate in connection with a corporate transaction.

#### ***U.S. TAX CONSEQUENCES***

This summary is based on U.S. federal income tax laws in effect as of the date hereof. The summary does not constitute tax advice and does not address possible state, local or foreign tax consequences.

The grant of an option will have no immediate tax consequences for the grantee or DST. Upon exercising a non-qualified stock option, the recipient will recognize ordinary income in an amount equal to the difference between the exercise date fair market value of DST stock and the option exercise price, and we will be entitled to a deduction in the same amount. In general, if applicable holding period requirements are satisfied, the recipient will have no taxable income upon the exercise of an incentive stock option (except that the alternative minimum tax may apply), and we will have no deduction. Upon a disposition of shares acquired through the exercise of an option, the difference in the amount received on the disposition over the participant's basis will be taxed as a capital gain or loss, either short-term or long-term, depending on how long the shares were held and on whether they were acquired through an incentive or non-qualified stock option exercise. Generally, there will be no tax consequences to the Company in connection with a disposition of shares acquired on exercise of an option, except that we may be entitled to a deduction upon disposition of shares acquired on exercise of an incentive stock option before the applicable holding period has been satisfied.

Under current rulings of the Internal Revenue Service, a recipient who pays the exercise price for an option with DST stock does not recognize gain or loss with respect to the disposition of the stock transferred in payment of the option price. However, the recipient normally will recognize ordinary income upon the exercise of a non-qualified stock option in this manner. The recipient's basis in a number of acquired shares equal to the number surrendered will be the same as the recipient's basis in

the surrendered shares, and the recipient's basis in any additional option shares will be equal to the amount of income the recipient recognizes upon the exercise of the option.

Generally, no taxes are due when an award of restricted stock is made, but the award becomes taxable when it vests or becomes transferable, unless the recipient elects, under Code Section 83(b) within 30 days of receiving the grant, to be taxed in the year the restricted stock is granted. Income tax is paid on the value of the stock at ordinary rates when the award vests or becomes transferable (or, if a Section 83(b) election is made, at the time of grant), and then at long- or short-term capital gains rates when the shares are sold. We are entitled to a deduction (subject to the limitations of Code Section 162(m)) at the time and in the amount the recipient recognizes income.

Generally, no taxes are due when an award of RSUs is made, but the award becomes taxable when it vests. In addition, we are entitled to a deduction (subject to the limitations of Code Section 162(m)) at the time and in the amount the recipient recognizes income. A recipient may not make a Section 83(b) election for RSUs. Rules relating to the timing of payment of deferred compensation under Code Section 409A are applicable to RSUs, and any violation of Code Section 409A could trigger interest and penalties applicable to the recipient.

Upon the granting of an anniversary service award, the recipient recognizes ordinary income in an amount equal to the value of the shares delivered in satisfaction of the award. Any additional cash payment accompanying the service award is also ordinary income to the recipient. DST is entitled to a deduction (subject to the limitations of Code Section 162(m)) at the time and in the amount the recipient recognizes income.

Awards that are considered to be deferred compensation and that comply with the rules under Code Section 409A with regard to the timing and acceleration of payment and the timing of elections to defer compensation are not taxed until the award is paid or distributed. In addition, we are entitled to a deduction (subject to the limitations of Code Section 162(m)) at the time and in the amount the recipient recognizes income. Any violation of Code Section 409A could trigger a 20% penalty tax to be paid by the grantee plus interest and other penalties applicable to the grantee.

To qualify for the 162(m) Exception, options, restricted stock, RSUs, and other awards must be granted under the Plan by a committee consisting solely of two or more "Non-Employee Directors" (as defined under Code Section 162(m) regulations) and satisfy the Plan's limit on the total number of shares or total dollar amount that may be awarded to any one participant during any year. In addition, for awards other than options to qualify, the grant, issuance, vesting or retention of the award must be contingent upon satisfying one or more of the Performance Measures. However, the Compensation Committee may weigh long-term strategic objectives against tax efficiency and award non-deductible compensation when it deems such grants to be in the Company's best interest.

### ***EQUITY COMPENSATION PLAN INFORMATION***

The following table provides information as of December 31, 2009 about DST stock that may be issued under the Plan upon the exercise of options, warrants and rights, as well as other year-end information about our equity compensation plans.

<u>Plan Category</u>	<u>A</u>	<u>B</u>	<u>C</u>
	Number of securities to be issued upon exercise of options, warrants and rights outstanding as of December 31, 2009(##)	Weighted average exercise price of outstanding options, warrants and rights shown in column A (\$)	Number of securities remaining available for issuance as of December 31, 2009 under equity compensation plans (excluding securities reflected in column A)(#)
Equity compensation plans approved by stockholders . . . . .	6,676,255(1)	42.48(1)(2)	5,051,846(3)
DST Systems, Inc. 2000 Employee Stock Purchase Plan (“ESPP”) . . . . .	None	None	589,844(4)
Equity compensation plans not approved by stockholders . . . . .	None	None	None

(1) The number shown does not include:

- Restricted DST stock issued under the 2005 Plan. The number of shares of restricted stock outstanding under the 2005 Plan as of December 31, 2009, is 972,688.
- Restricted DST stock issued under the DST Systems, Inc. 2005 Non-Employee Directors’ Award Plan. The number of shares of restricted stock outstanding under such plan as of December 31, 2009, is 9,948.
- Service awards of DST stock awarded under the Plan in recognition of years of service (five shares for five years of employment, ten shares for ten years, and so forth in five year increments). The number of service award shares issued under the Award Plan for anniversaries reached during 2009 is 17,250. The average grant price of shares granted as service awards during 2009 was \$39.93.
- Securities available under the DST Systems, Inc. 2000 Employee Stock Purchase Plan (“ESPP”). Information on the ESPP, which was approved by stockholders and has been suspended, is shown separately below in Note 4.

(2) Column A includes securities that may be issued at a future date in connection with stock option grants under the Plan. Although the reload elimination shares have not yet issued, this number includes the fair market value of such shares as of December 16, 2003, which is the date the deferred compensation was determined.

(3) These are the shares available for issuance in connection with the granting of annual incentive awards, stock options, SARs, restricted stock, stock awards, RSUs, deferred stock, dividend equivalents, anniversary service awards, substitute awards, or any other right, interest or option relating to shares of DST stock granted pursuant to either the provisions of the Plan or of the 2005 Non-Employee Directors’ Award Plan.

(4) The ESPP was suspended beginning for plan year 2006 and no shares have been issued for the 2006 through 2009 plan years. The suspension will continue until otherwise determined by the Committee. The number shown is the number available for issuance should the Committee lift the suspension.

The following table lists all options granted to the individuals and groups indicated below since the adoption of the 1995 Plan whether exercised, lapsed, or forfeited. The table shows options granted to non-employee directors, who received such options under the 1995 Plan but since the effective date of the 2005 amendment have been ineligible to receive any awards under the 2005 Plan. The option awards listed below for the covered executives and directors include the option awards listed in the compensation tables beginning at page 50 of this Proxy Statement and are not additional awards. As of February 26, 2010, the closing price of DST stock on the New York Stock Exchange was \$38.43 per share.

<u>Persons or Groups of Persons</u>	<u>Options</u>
Thomas A. McDonnell . . . . . Chief Executive Officer	3,381,192
Stephen C. Hooley . . . . . President and Chief Operating Officer	145,400
Kenneth V. Hager . . . . . Vice President, Chief Financial Officer and Treasurer	710,019
Thomas A. McCullough* . . . . . Former Executive Vice President and Chief Operating Officer	1,694,271
Jonathan J. Boehm . . . . . Executive Vice President	335,546
All current executive officers as a group*	7,293,383
All current directors who are not executive officers as a group*	517,430
Each nominee for election as a director . . . . .	
A. Edward Allinson . . . . .	125,440
Michael G. Fitt . . . . .	111,970
Robert T. Jackson . . . . .	0
Each associate of any such director, executive officer or nominee . . . . .	0
Each other person who received or is to receive 5% of such options, warrants or rights . . .	0
All employees, including all current officers who are not executive officers as a group . . . .	23,340,309

\* Mr. McCullough, who is currently a non-employee director, was an executive officer at the time of the grants. Therefore, his option grants are included with the executive officer totals rather than the director totals.

***OUR BOARD RECOMMENDS THAT  
YOU VOTE “FOR” THE 2005 EQUITY INCENTIVE PLAN  
PERFORMANCE GOAL PROVISIONS***

**PROPOSAL 3**  
**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 2010. 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 2009, 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 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**

**THE BOARD OF DIRECTORS**  
***SERVICE AND QUALIFICATIONS***

**DST and Public Company Board Service.** During 2009, the Company employed Thomas A. McDonnell and Thomas A. McCullough as executive officers. Mr. McCullough retired as an executive officer on December 31, 2009 and we do not employ the remaining directors listed in the table.

<u>DIRECTORS</u>	<u>Age</u>	<u>Dates of Service on DST Board</u>	<u>Annual Meeting at Which Term Expires</u>	<u>Service on Committees of DST Board</u>	<u>Registered Investment Company Directorships and Public Company Directorships Other than the Company(2)</u>
A. Edward Allinson . . . . .	75	September 1995–present April 1977–December 1990	2010(1)	Audit Governance	—
George L. Argyros . . . . .	73	February 2006–present December 1998–November 2001 (when he resigned to serve as United States Ambassador to Spain)	2011	Compensation Governance	First American Corporation
Michael G. Fitt . . . . . Lead Independent Director	78	September 1995–present	2010(1)	Audit Compensation Governance	—
Robert T. Jackson . . . . .	64	July 2007–present	2010(1)	Audit (Chairperson) Compensation Governance	—
Thomas A. McCullough . . . . .	67	January 1990–present	2012	—	—
Thomas A. McDonnell . . . . .	64	June 1972–present	2011	—	Commerce Bancshares Euronet Worldwide, Inc. Garmin Ltd. Kansas City Southern
William C. Nelson . . . . .	72	January 1996–present	2012	Audit Compensation Governance (Chairperson)	Great Plains Energy Inc.
Travis E. Reed . . . . .	75	July 2002–present	2012	Audit Compensation Governance	—
M. Jeannine Strandjord . . . . .	64	January 1996–present	2011	Audit Compensation (Chairperson) Governance	Charming Shoppes, Inc. Euronet Worldwide, Inc. Six registered investment companies that are part of American Century Funds

(1) Their terms will expire in 2013 if stockholders elect them at the 2010 annual meeting.

(2) Within the past five years, Messrs. Allinson and Fitt were also directors of Kansas City Southern and Mr. McDonnell was a director of Blue Valley Ban Corp.

**Principal Occupations and Qualifications.** The Board has concluded that each of its members 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 Corporation 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 17.

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

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.

#### 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 is the newest member of our Board and brings a fresh perspective to 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.

Having recently retired after nearly 23 years of DST service, Mr. McCullough 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 our 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.

### 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 a period of 45 years 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.

### ***COMMITTEES AND MEETINGS***

Our Board met six times in 2009. The Board appoints the members of the three Board committees: the Audit Committee, the Compensation Committee, and the Governance Committee. During 2009, the Audit Committee held four meetings, the Governance Committee held one meeting, and the Compensation Committee held five meetings.

In 2009, each director attended all regular and special Board meetings and all meetings of Board committees on which the director served. Our directors shall, whenever reasonably practicable, attend annual stockholders' meetings. All directors attended the 2009 annual stockholders' meeting. Non-employee directors, led by Lead Independent Director Michael G. Fitt, meet regularly in private session without management.

### ***LEADERSHIP STRUCTURE AND RISK OVERSIGHT***

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.

Currently, seven of our nine directors are “independent” as defined by the New York Stock Exchange rules. Our Corporate Governance Guidelines, which are available on our website, provide for a strong and independent 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.

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. 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
  - 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: Todd Dupriest/DST  
7945 Flint  
Lenexa, Kansas 66214

#### **NON-EMPLOYEE DIRECTOR COMPENSATION**

Only non-employee directors participate in the compensation structure we describe in this section. Thomas A. McDonnell, Chief Executive Officer, and Thomas A. McCullough, Executive Vice President through his retirement at the end of 2009 and our previous Chief Operating Officer, did not receive such compensation for their service on the Board during 2009.

#### ***CONSULTANT/MANAGEMENT SUPPORT TO THE COMMITTEE***

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 assist in evaluating the competitiveness of our non-employee director compensation program.

In 2003, the Committee charged Deloitte with:

- recommending a potential peer group and general industry surveys to the Committee Chairperson and reviewing and analyzing the non-employee director compensation data contained in peer proxy statements and surveys
- developing competitive benchmarks for the fees and equity compensation of non-employee directors, preparing a report to the Committee on the results, and recommending components of non-employee director compensation to the Committee for recommendation to the Board.

Nine of the 13 companies in this 2003 peer group used to develop non-employee director compensation comprise the peer group that was used to evaluate and update executive officer compensation in late 2007 and early 2008. The Committee did not analyze competitive benchmarks specifically for 2009 director annual retainers and meeting fees, which have not increased since 2003.

In 2008, the Committee recommended, and the Board approved, an update to the non-employee director compensation program with respect to its equity component. The Committee believes that a transfer restriction period on equity grants to directors does not serve a significant retention or other purpose, and it discontinued such restrictions in connection with annual director grants in 2008.

Although Deloitte did not conduct a formal survey of director compensation practices, it advised that issuance of unrestricted stock to non-employee directors was within the range of competitive practice.

### **COMPENSATION STRUCTURE**

In approving the current elements of non-employee director compensation, the Board reviewed Deloitte data and considered Board and committee members' duties and the Compensation Committee's recommendations. The compensation includes annual equity grants, described in note (1) on page 21, and the following cash compensation:

#### ANNUAL RETAINERS AND MEETING FEES

<u>Annual Retainer</u>	<u>DST Audit Committee Chair Annual Retainer</u>	<u>Chair of Other Committees Annual Retainer</u>	<u>Board Meetings</u>		<u>Board Committee Meetings</u>	
			<u>In Person</u>	<u>By Teleconference</u>	<u>In Person</u>	<u>By Teleconference</u>
\$40,000	\$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 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 47.

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.

**2009 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 . . . . .	76,000	130,000	23	206,023
George L. Argyros . . . . .	78,000	130,000	46	208,046
Michael G. Fitt . . . . .	86,000	130,000	23	216,023
Robert T. Jackson . . . . .	96,000	130,000	71	226,071
William C. Nelson . . . . .	91,000	130,000	46	221,046
Travis E. Reed . . . . .	86,000	130,000	23	216,023
M. Jeannine Strandjord . . . . .	91,000	130,000	71	221,071

(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 3,429 shares of our common stock as of the date of the 2009 annual meeting. We determined the number of shares by dividing \$130,000 by \$37.92, the average of the highest and lowest reported sale price of DST stock on May 12, 2009, the date of the 2009 annual meeting. For our accounting assumptions in deriving the 2009 compensation expense amount in Column B, see note (11) to the Consolidated Financial Statements in our Form 10-K for the year ended December 31, 2009. We issued the shares under the 2005 Non-Employee Directors’ Award Plan.

For a number of years, the shares issued under such plan were restricted. Subject to forfeiture for certain terminations from service and to accelerated vesting in limited circumstances, the restrictions on shares granted on the date of the annual stockholders’ meeting in 2007 lapse three years from the date of the grant.

Non-employee directors are subject to the stock ownership guidelines described in note (5) on page 29.

All non-employee directors owned 1,658 outstanding unvested shares of DST stock as of December 31, 2009, other than Mr. Jackson, who has not received any restricted shares.

(2) Column C amounts consist of the term life insurance proceeds. None of our non-employee directors had perquisites in an amount of at least \$10,000.

## **BOARD COMMITTEE MATTERS AND REPORTS**

### ***AUDIT COMMITTEE***

We identify Committee members in the table on page 12. 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 18, 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. 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, 2009.*

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

## **COMPENSATION COMMITTEE**

**Committee Structure.** We identify Committee members in the table on page 12. 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 Officer, 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.

Our Chief Executive Officer, President, Chief Financial Officer, or General Counsel contacts the Chairperson of the Committee with any proposed separation arrangement for an executive officer involuntarily terminating employment. The Committee Chairperson discusses the arrangement with a majority of Committee members. She reports the Committee's determination regarding the proposed arrangement to management and makes a record of such determination at the next regularly scheduled Committee meeting.

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.

In determining when to review non-employee director compensation, and whether to recommend that the Board modify it, the Committee may consider, and decide the weight it will give to, any combination of the following:

- market competition for directors
- securities law and New York Stock Exchange independence, expertise and qualification requirements
- market information regarding director compensation at other public companies of comparable size and complexity
- directors' duties and responsibilities as set forth in Board committee charters and our Corporate Governance Guidelines
- Company and individual tax issues
- director retention
- director welfare
- director retirement planning
- director compensation principles in our Bylaws and Corporate Governance Guidelines
- legal or other changes in the required structure or duties of the Board
- annual self-evaluations of our Board and its committees
- the value of outstanding awards and undistributed account balances
- historical director compensation data.

The Committee may request our Chief Executive Officer, President, Chief Financial Officer, Human Resources Officer, General Counsel, or other management to provide:

- proposed director benefit plan terms and conditions
- financial, accounting and tax information
- legal requirements for benefit plan and award structures.

The Committee and the Board rely on our Chief Financial Officer, Human Resources Officer, General Counsel, and other Company management to implement director compensation decisions and adopt appropriate compensation procedure internal controls.

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.

**Employee Compensation Risk.** The Compensation Committee requests that executive management, including business unit executives and the Human Resources Officer, 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 2010, 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 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 20.

### **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 12. 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 2010 stockholders' meeting (Messrs. Allinson, Fitt and Jackson). 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

- 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, in recommending an incumbent director for re-election, the Committee considers:

- the nominee’s prior service on the Board
- continued commitment to Board service
- whether the nominees possess the requisite financial and management experience and expertise appropriate for service on the Board and its respective committees
- any changes in employment or other status that are likely to affect such nominee’s qualifications to serve.

**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 General Counsel reviews responses to director and officer questionnaires to determine whether 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.

## BENEFICIAL OWNERSHIP

As of February 26, 2010, we had 47,820,423 shares of our common stock outstanding, including 253,788 shares of unvested restricted stock, and the following table shows share ownership as of such date based upon available information.

<u>Name and Address</u>	<u>Shares of our Common Stock(1)(#)</u>	<u>Percent of Class(1)(%)</u>
George L. Argyros(2)(5)(6) Director . . . . .	9,703,589	20.29
BlackRock, Inc.(3) . . . . .	2,793,532	5.84
Marshall & Ilsley Corporation (“M&I”), parent of benefit plans trustee(4) . . . . .	2,987,796	6.25
A. Edward Allinson(5)(6) Director . . . . .	127,665	*
Jonathan J. Boehm(6) Executive Vice President . . . . .	225,301	*
Michael G. Fitt(5)(6) Director . . . . .	40,361	*
Kenneth V. Hager(6) Vice President, Chief Financial Officer and Treasurer . . . . .	417,862	*
Stephen C. Hooley(6) President and Chief Operating Officer . . . . .	25,000	*
Robert T. Jackson(5)(6) Director . . . . .	7,286	*
Thomas A. McCullough(5)(6) Executive Vice President during 2009, Director . . . . .	401,176	*
Thomas A. McDonnell(6) Chief Executive Officer, Director . . . . .	2,368,340	4.79
William C. Nelson(5)(6) Director . . . . .	72,900	*
Travis E. Reed(5)(6) Director . . . . .	27,193	*
M. Jeannine Strandjord(5)(6) Director . . . . .	77,235	*
All Executive Officers and Directors as a Group (17 Persons)(6) . . . . .	14,141,635	28.05

\* Less than 1% of our outstanding common stock as of the record date.

- (1) As required by securities regulations, the number of shares shown includes options exercisable within 60 days of the record date, and the percentage for each person or group is based on the number of shares outstanding as of the record date plus exercisable options. Except as otherwise stated in these notes, the holders have sole power to vote and dispose of the shares.
- (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 information received in February 2009 from his securities counsel and on a Form 4 filed May 14, 2009. 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:

- 4,705,161 shares held by Ambassador Argyros
- 900 shares held by the Leon & Olga Argyros 1986 Trust of which Ambassador Argyros is a 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 Ambassador Argyros is sole stockholder
- 1,686 shares held by GLA Financial Corporation of which Ambassador Argyros is sole stockholder
- 672,002 shares held by the Argyros Family Foundation of which Ambassador Argyros is Chief Executive Officer and Board of Trustees 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.

- (3) BlackRock, Inc. is located at 40 East 52<sup>nd</sup> Street, New York, NY 10022. We based information with respect to BlackRock, Inc. and its beneficial ownership on a Schedule 13G dated December 31, 2009 and filed January 29, 2010.
- (4) 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 Amendment No. 5 dated February 16, 2010 to Schedule 13G dated February 11, 2005. M&I has the sole power to vote or direct voting of 1,128 shares and the sole power to dispose or direct the disposal of 4,685 shares, but disclaims beneficial ownership of 2,980,561 shares. M&I has the shared power to vote or direct the voting of and the shared power to dispose or direct disposal of 2,983,111 shares including 2,980,561 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.
- (5) The Board has a guideline that, within a reasonable period of time after a non-employee director's initial appointment or election to the Board, the director is expected to beneficially own our common stock. The Board generally expects that the fair market value of the stock equal or exceed three times the annual minimum cash retainer for serving as a Board member. The Board will consider personal circumstances, length of service on the Board, and the effect of market conditions in applying this guideline.
- (6) The total number of shares shown in the Beneficial Ownership table consists of the following:

	Restricted Shares(a)(#)	Directly Held, Unrestricted Shares(b)(#)	DST Shares in DST Employee Stock Ownership Plan accounts(c)(#)	DST Shares in DST 401(k) accounts(c)(#)	Miscellaneous indirect holdings(d)(#)	Shares that may be acquired through option exercises(e)(#)
A. Edward Allinson . . . . .	1,658	56,567	—	—	—	69,440
George L. Argyros . . . . .	1,658	4,703,503	—	—	4,998,428	—
Jonathan J. Boehm . . . . .	—	74,260	158	—	—	150,883
Michael G. Fitt . . . . .	1,658	38,703	—	—	—	—
Kenneth V. Hager . . . . .	—	140,232	25,625	—	—	252,005
Stephen C. Hooley . . . . .	—	—	—	—	—	25,000
Robert T. Jackson . . . . .	—	7,286	—	—	—	—
Thomas A. McCullough . . . . .	—	401,176	—	—	—	—
Thomas A. McDonnell . . . . .	—	790,848	—	—	—	1,577,492
William C. Nelson . . . . .	1,658	23,472	—	—	200	47,570
Travis E. Reed . . . . .	1,658	1,871	—	—	8,664	15,000
M. Jeannine Strandjord . . . . .	1,658	19,687	—	—	—	55,890
Executive Officers and Non-Employee Directors as a Group(d) . . . . .	21,348	6,458,334	53,818	1,486	5,008,432	2,598,217

(a) We describe the restricted stock in our non-employee director compensation disclosures.

- (b) Messrs. Hager, Nelson and McCullough share voting and dispositive power with their spouses of 100,948, 3,000 and 309,826 shares, respectively. Ambassador Argyros shares voting power over a portion of his shares, as shown in note (2).
- (c) The trustee of our benefit plans holds the voting and dispositive power over shares held in such plans as further explained in note (4).
- (d) The individuals indirectly hold these shares 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.
- (e) These are shares that may be acquired within 60 days of the record date as described in note (1) above.

## **INSIDER DISCLOSURES**

**Certain Transactions with Related Persons.** President and Chief Operating Officer Stephen C. Hooley is a board member and a non-executive officer of Boston Financial, our joint venture with State Street. Mr. Hooley was president and chief executive officer of Boston Financial from January 2004 through June 2009. 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 president and chief operating officer of State Street.

For 2009, the Company had equity in earnings of unconsolidated affiliates, net of income taxes provided by the unconsolidated affiliates of \$12.1 million from Boston Financial, \$10.9 million from IFDS, L.P., and \$9.2 million from IFDS UK. A Company subsidiary holds investments in State Street (at February 26, 2010, approximately 10.6 million shares with a market value of approximately \$475.2 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 2009, we had consolidated revenues of \$185.4 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 \$100 million and matures on July 1, 2010. The amount outstanding under this promissory note was \$75 million at December 31, 2009. For the year ended December 31, 2009, we recorded interest expense related to the loan of \$1 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 for 2009 transactions were timely filed with the exception of a report filed in January 2010 by Joan Horan, Vice President of Human Resources, for shares withheld for taxes related to vesting of restricted stock in November 2009.

**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, 2009. 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 2009 and 2008 were as follows:

<u>Type of Fees</u>	<u>2009(\$)</u>	<u>2008(\$)</u>
Audit Fees . . . . .	3,237,745	3,072,350
Audit Related Fees(1)(2) . . . . .	2,294,710	1,681,000
Tax Fees(1)(3) . . . . .	2,258,325	1,789,788

- (1) The Audit Committee has determined that the provision of these services is compatible with maintaining the independence of PricewaterhouseCoopers.
- (2) A total of \$2,209,450 of the 2009 amount and \$1,616,000 of the 2008 amount was for attest services relating to Statement on Auditing Standards No. 70 reports and other controls reviews, and \$85,260 of the 2009 amount and \$65,000 of the 2008 amount was for financial statement audits of employee benefit plans.
- (3) A total of \$1,068,071 of the 2009 amount and \$1,155,522 of the 2008 amount was for U.S. federal, state and local tax planning and compliance, and \$1,190,254 of the 2009 amount and \$634,266 of the 2008 amount was for international tax planning and compliance.

**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 2009.

**COMPENSATION DISCUSSION AND ANALYSIS**

The Compensation Committee determines compensation for the named officers listed in the Summary Compensation Table. 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 2009: Stephen C. Hooley, who joined the Company as President and Chief Operating Officer on July 1, 2009, Thomas A. McCullough, who retired as Chief Operating Officer on July 1, 2009 and served as Executive Vice President through December 31, 2009, and Jonathan J. Boehm, who was promoted to Executive Vice President from Group Vice President on July 1, 2009.

***OBJECTIVES FOR 2009 COMPENSATION***

The Committee’s primary objectives for its 2009 named officer compensation program are described in the following table. For all named executive officers, including the Chief Executive Officer and the President and Chief Operating Officer, the Compensation Committee applies the same compensation objectives and reviews the same compensation general industry and peer group survey data to evaluate market rates of compensation.

As shown in the table, we align named officer and stockholder interests and further retention objectives by incorporating performance goals into various elements of compensation. We do not disclose the actual goals because they are confidential business information. We do not view such disclosures as necessary to an understanding of the Committee’s executive compensation policies and decisions. Moreover, the reasons not to disclose the goals are compelling. We believe that disclosure of the goals, or any one of them, could cause substantial economic harm to our competitive position.

<b><u>OBJECTIVE</u></b>	<b><u>THE COMMITTEE’S GENERAL METHODS OF ACHIEVEMENT ARE TO:</u></b>	<b><u>TO ACHIEVE OBJECTIVE, THE COMMITTEE:</u></b>
Align named officer and stockholder interests	Include, as a significant component of compensation, awards that tie vesting to achievement of short- and long-term financial and strategic objectives	<ul style="list-style-type: none"> <li>• Grants 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(1)</li> <li>• Granted, in 2004, restricted stock for the period of 2004-2009 that vested on January 31, 2010 based upon achievement of a diluted EPS target and named officer continued employment (“upfront restricted stock”)(1)</li> </ul>

**OBJECTIVE**

**THE COMMITTEE'S GENERAL METHODS OF ACHIEVEMENT ARE TO:**

**TO ACHIEVE OBJECTIVE, THE COMMITTEE:**

Attract and retain quality leadership

- Periodically examine peer group and general industry compensation data; structure compensation packages with the goal that total direct compensation and total cash compensation are positioned at approximately the 75<sup>th</sup> percentile of the combined peer group and general industry survey data if we achieve target incentive goals, and approximately at the 90<sup>th</sup> percentile of such data if we achieve maximum incentive goals(2)
- 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

- Strives to stay within such percentile ranges, providing a combination of:
  - Base salaries(1)
  - 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
  - Upfront restricted stock for the period 2004-2009 to establish a level equity compensation cost over several years and to aid in executive retention over a reasonably lengthy period
- Awarded a signing bonus and relocation benefits to attract a named officer to DST employment(3)

Promote the health and welfare of the named officers and their commitment to the Company

- 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

Provided:

- Health, life and disability insurance programs(1)
- Deferred cash rather than restricted stock as the deferred component of Incentive Program awards so that Company stock is not the only long-term component of compensation(1)
- Qualified and non-qualified deferral plans and programs that allow named officers to accumulate funds (including cash incentives and vested amounts) on a tax-deferred basis for their retirement and to have emergency funds available should employment terminate pre-retirement(1)
- Full or partial accelerated vesting of awards upon retirement and in certain other circumstances(1)
- Reasonable but limited perquisites(1)

**OBJECTIVE**

Maintain a level of equity grants that do not, in the Committee's opinion, cause excess dilution and expense over time

**THE COMMITTEE'S GENERAL METHODS OF ACHIEVEMENT ARE TO:**

Establish target aggregate expense levels for the annualized equity compensation (the upfront restricted stock) as a percentage of pre-tax income

**TO ACHIEVE OBJECTIVE, THE COMMITTEE:**

Determined the aggregate number of shares of upfront restricted stock it would grant in 2004 with the objective that such 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(4)

Provide stability to the Company and limited protection to the named officers in a change in control

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

- Included 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(1)
- Provided for *pro rata* vesting of the upfront restricted stock upon a change in control that is not followed by a termination of employment, and full vesting of the remaining unvested stock upon a change in control that is followed within three years by a termination of employment without cause or a resignation for good reason
- Provided for accelerated vesting of deferred cash awards upon a change in control followed by a termination of employment without cause or a resignation for good reason

Structure compensation, if feasible in view of other objectives, so that the Company can obtain maximum deductibility of compensation expenses

Include as a part of compensation packages performance-based components that are designed to meet the requirements of the 162(m) Exception(5)

- Bases Incentive Program awards on the achievement of performance goals
- Incorporated a performance hurdle into upfront restricted stock
- Obtained stockholder approval in 2005 of the 2005 Equity Incentive Plan under which upfront restricted stock and Incentive Program awards are granted, and is submitting the Performance Goal Provisions for re-approval in 2010

(1) The following elements are described in separate sections beginning at the pages indicated:

- base salaries (page 40)
- Incentive Program awards including deferred cash awards (page 40)
- upfront restricted stock (page 42)
- perquisites (page 43)
- insurance benefits (page 43)
- Separation from service and change in control terms and conditions of awards and employment agreements; ERISA excess and other deferral plans and programs (page 44).

The Committee has determined that the benefit to the executive, the Company and our stockholders justifies the Company cost in providing each element of compensation. In structuring the Incentive Program and in determining to grant upfront restricted stock, the Committee considered the target levels of compensation set forth on page 33. In determining individual elements of compensation, the Committee does not otherwise consider amounts realizable from prior compensation or awards, for the reasons below:

<u>Element</u>	<u>Reason</u>
Base Salaries	Base salaries should provide the named officer with a minimum level of annual pay, irrespective of payouts under our 2005 Equity Incentive Plan.
Incentive Program Awards	Annual incentive awards are tied to performance in a particular period. Tying incentive opportunity levels to other unearned awards would undermine the objective of incenting performance for the current performance period.
Upfront Restricted Stock	The grants are for a period of time and incent performance of goals during that period, and grants for prior periods should not affect the level of compensation for the current period.
Perquisites; Insurance Benefits; and Retirement, Termination and Change in Control Provisions	The objectives given above for these compensation elements would not be served if the benefits were tied to amounts realizable from prior awards.

(2) Total cash compensation is base salary plus the current cash portion of incentive awards. Total direct compensation is the combination of base salary, annual incentive awards, and annualized upfront equity awards. The Committee set the total cash compensation targets and total direct compensation targets in the upper quartile 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 total direct and total cash compensation ranges.

In the chart below, we have summarized the comparison between the 2009 compensation for the named officers and competitive compensation levels. The competitive positioning is derived from general industry survey and peer group data provided by our compensation consultant, whose services we describe in the following section.

<u>Compensation Component</u>	<u>Average Positioning of Named Officers</u>	<u>Range of Competitive Positioning of Compensation for Named Officers</u>
<i>Base Salary</i>	13% Below Median	24% Below Median to 3% Above Median
<i>Target Total Cash Compensation*</i>	4% Above 75 <sup>th</sup> Percentile	29% Below 75 <sup>th</sup> Percentile to 35% Above 75 <sup>th</sup> Percentile
<i>Target Total Direct Compensation*</i>	16% Below 75 <sup>th</sup> Percentile	40% Below 75 <sup>th</sup> Percentile to 13% Above 75 <sup>th</sup> Percentile

\*If we meet target Incentive Program goals.

- (3) The Committee authorized a signing bonus to Stephen C. Hooley as part of its efforts to recruit him as President and Chief Operating Officer. The Committee also approved relocation benefits for Mr. Hooley. The Committee believes that both compensation elements are fair given our strong desire to attract Mr. Hooley to leave his former employment at Boston Financial, our joint venture. The Committee noted Mr. Hooley's success at the joint venture, our familiarity with his skills and regard for him, and the importance of the DST position in view of the retirement of Mr. McCullough, who had served for over 20 years as our second highest ranking executive officer and was regarded by employees, clients and the financial services industry for his leadership. The amount of Mr. Hooley's signing bonus also reflects the fact that he did not immediately receive an equity grant when he commenced employment, as has traditionally occurred for new executives.
- (4) Establishing such levels for the upfront restricted stock grant in 2004 allowed the Committee to avoid making such equity grants at annualized levels that would cause, in its opinion, excessive dilution and expense over the vesting period. The grant was to, and did, cliff vest at the end of the five-year vesting period if we employed the named officer on such date and had achieved the consolidated EPS performance goal. We spread the grant cost evenly over the vesting period.
- (5) Code Section 162(m) limits our deductions for federal income tax purposes of compensation expenses exceeding \$1 million paid to certain named officers other than performance-based compensation that meets the requirements of the 162(m) Exception, as further explained on page 3. There can be no assurances that named officer compensation will be fully deductible.

## ***CONSULTANT/MANAGEMENT SUPPORT TO THE COMMITTEE FOR 2009 COMPENSATION***

**Consultant Support.** 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 Committee consulted with Deloitte during 2009 regarding the base salary, signing bonus, incentive compensation levels, and employment agreement for Stephen C. Hooley. At the Committee's direction, the Company provided Deloitte with information as to Mr. Hooley's compensation package at Boston Financial. Deloitte reported as to the value of compensation Mr. Hooley would forfeit by accepting the DST positions, and as to common and recommended practices for relocating an executive from another company. Deloitte also analyzed data for chief operating officer positions available from peer group and survey data Deloitte had analyzed in late 2007 for benchmarking executive officer base salaries.

The Committee engaged Deloitte to develop competitive pay benchmarks with respect to base salaries, annual bonus opportunities, and long-term incentives in 2004, and then again in late 2007. The Committee considered the benchmarks in connection with executive officer base salary increases for 2008. Executive officers' base salaries did not increase for 2009, other than base salary increases of \$60,000 or less for two executive officers who were promoted and whose responsibilities significantly changed during 2009. Other elements of executive officer compensation for 2009 were determined prior to 2009 and some elements have remained unchanged since 2004, when the Committee engaged Deloitte to develop competitive pay benchmarks for bonuses, long-term incentives, and total cash and total direct compensation.

Deloitte made recommendations in 2004 with regard to incentive compensation levels and upfront restricted stock, which were each a component of 2009 compensation. The Committee engaged Deloitte in late 2005 to recommend the terms and conditions of the employment agreements of Messrs. McDonnell and McCullough, analyze data for chief operating officer positions among our peer group at that time, and review published survey data for benchmarking executive officer base salaries. The Committee engaged Deloitte in September 2008 to recommend the terms and conditions of the employment agreement of and the compensation package for Mr. Hooley, who began serving as our President and Chief Operating Officer in July 2009.

For these consultations, the Committee charged Deloitte with:

- discussing with the Chief Executive Officer, Chief Financial Officer, and Committee Chairperson which companies in the computer software and services industry have the revenues, market capitalization, size, scope and complexity that make them appropriate peers for benchmarking compensation data, and gathering and analyzing capitalization, revenue, and other financial metrics for such companies to confirm that they are appropriate peers
- discussing with the Chief Financial Officer and the Committee Chairperson the availability of general industry benchmarking data and recommending surveys for use in benchmarking
- reviewing and analyzing the compensation data
- developing competitive pay benchmarks for the bonuses, long-term incentives and total direct and total cash compensation of Company executive officers
- analyzing the current and potential equity dilution of peer group companies to the current and potential equity dilution of Company stock as a result of the upfront restricted stock awards, and comparing three-year average share utilization rates among the Company and peer group companies.

At the Committee's direction with respect to the above consulting work, the Company has provided Deloitte with financial data, peer group identification information, potential share dilution information, drafts of the employment agreements for Messrs. McDonnell and McCullough, Mr. Hooley's Boston Financial compensation package, and access to the Company's Human Resources Department, General Counsel, and benefits and securities law counsel.

Deloitte affiliates have provided during 2009, and charged fees of less than \$120,000, for certain tax-related or financial advisory services to the Company. 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 peer group Deloitte used for benchmarking base salaries in late 2007 included the following companies:

- Affiliated Computer Services
- Alliance Data Systems Corporation
- Automatic Data Processing, Inc.
- Ceridian Corporation
- Choicepoint Inc.
- Convergys Corporation
- CSG Systems International, Inc.
- First Data Corporation
- Fiserv, Inc.
- IMS Health Incorporated
- NCR Corporation
- Paychex, Inc.
- Perot Systems Corporation
- SEI Investments Co.
- Teletch Holdings, Inc.
- Total System Services, Inc.

The 2004 survey data did not include Choicepoint Inc. or IMS Health Incorporated and included Axiom Corporation, BISYS Group, Inc., Certegy, Inc. and SunGard Data Systems, Inc. Each difference was either a result of corporate transactions or changes over time in our peer group. For the range of competitive positioning data on page 36, Deloitte used peer group information from the equity compensation planning work that occurred during late 2008 and throughout 2009. Deloitte's data included data from Axiom, which had been in our peer group in 2004, and Broadridge Financial Solutions, Inc. and did not include Ceridian, Choicepoint, First Data or Perot, as their data was no longer available due to corporate restructurings or similar events.

In addition to the peer group data, Deloitte has provided peer group survey information gathered from hundreds of general industry and data processing companies, and has regressed that data to match DST's size and each executive officer's responsibility level. In using the peer group and general survey data, Deloitte focuses on positions similar in scope to our executive officer positions. Deloitte uses the peer group and general industry data in tandem to summarize comparisons between competitive practice and our executive officer compensation levels. The Committee then evaluates how

the Company's executive officer compensation compares to competitive practice based on the components of compensation, as well as compensation in the aggregate, and determines if adjustments are appropriate and necessary.

**Management Support.** In determining base salaries for Messrs. Hager and Boehm for 2008, which did not increase for 2009 except in connection with Mr. Boehm's mid-year promotion to Executive Vice President, the Committee received input from persons holding at that time the positions of Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer regarding:

- responsibilities of individual executive positions
- our cost in providing benefits
- information as to potential achievability of incentive goals
- compensation components and levels necessary to incent and retain management.

#### ***OVERVIEW OF 2009 COMPENSATION***

Messrs. McDonnell, Hager and McCullough received the same base salary for 2009 as for 2008. The amount for each of Messrs. McDonnell and McCullough was less than the amount he could have received under his employment agreement. The reduced amounts were in connection with their support of cost management initiatives, as further explained on page 49. Mr. Boehm was promoted to Executive Vice president during 2009, and his post-promotion base salary, in effect for only a portion of 2009, increased by \$50,000, from \$350,000 to \$400,000. The Committee considered the increase fair and reasonable considering his new responsibility for DST Health Solutions and leadership of all of our health services businesses, rather than only Argus Health Systems, Inc. The Incentive Program percentages of base salary ("opportunity levels") for Messrs. McDonnell, Hager, McCullough and Boehm for 2009 were the same as for 2008, although the aggregate level of goal achievement for 2009 was modestly below the level for 2008.

The Committee established Mr. Hooley's base salary when he joined the Company during 2009 to serve in the position of president that had been held by Mr. McDonnell and the position of chief operating officer that had been held by Mr. McCullough. It set his base salary at \$550,000, which is \$200,000 below Mr. McDonnell's employment agreement base salary and \$25,000 below Mr. McCullough's employment agreement base salary, and matched his incentive compensation opportunity levels with those of Mr. McDonnell.

The 2009 overall compensation of, and individual compensation components for, Messrs. McDonnell, Hooley and McCullough exceeded that of the other named executive 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 executive officer positions. The long tenure with the Company of approximately 41 years for Mr. McDonnell and 23 years for Mr. McCullough, sustained long-term individual performance, and level of responsibility of each chief officer factored into their base salaries and incentive opportunity levels. The Company's desire to recruit Mr. Hooley based on familiarity with his skills and leadership, the level of responsibility he would be undertaking in his new positions, his achievements at our joint venture and his experience with our operations factored into his base salary, incentive opportunity levels, and signing bonus.

The Committee determined the terms and conditions of the employment agreements of Messrs. McDonnell, Hooley and McCullough, but not Mr. Hager as his agreement predates the existence of the Committee. Mr. Boehm does not have an employment agreement. The Committee approved amendments to the employment agreements of Messrs. McDonnell, Hager and McCullough effective December 31, 2008 primarily so that any separation pay and other benefits under the

agreements would be exempt from or compliant with Code Section 409A, which imposes excise taxes and other penalties on non-exempt deferred compensation. The Committee approved the employment agreement of Mr. Hooley during 2009. The Committee thought it fair and reasonable to base his agreement on the form of agreement for Messrs. McDonnell and McCullough, as Mr. Hooley assumed a position of an equivalent nature from each and as their agreements were publicly available for review by him.

### ***BASE SALARIES***

In setting base salaries, the Committee:

- considers that base salaries serve as part of the basis for calculating the amount of performance-based incentives, for determining SERP contributions for certain named officers, and for calculating potential separation pay under employment agreements
- reviews individual performance elements including each named officer's commitment and ability to:
  - strategically meet business challenges
  - plan long-range
  - achieve financial results
  - lead the service, product or business unit or administrative team for which the officer is responsible
  - prudently steward our resources
  - promote legal and ethical compliance.

The Committee does not follow a precise formula that base salaries should constitute a certain percentage of overall compensation or that base salaries should fall within a specific percentile range of peer group and general industry survey data. The Committee considers whether individual base salaries reflect responsibility levels and are reasonable, competitive and fair. The Committee also considers its total direct compensation and total cash compensation objectives stated on page 33. In setting base salaries, the Committee reviewed published survey and peer group data prepared by Deloitte, considered the applicability of the salary data in view of the individual positions within the Company, and applied the above factors to each position and set of challenges.

### ***INCENTIVE PROGRAM COMPENSATION***

Under the Incentive Program, the Committee may grant annual incentive awards based on whether the Company or business units achieve certain goals set by the Committee. The amount and components of the award depend on whether and to what degree the Company or business unit achieves goals, and the opportunity levels that the named officer is eligible to receive as an incentive award.

**Goal Setting.** The 2005 Equity Incentive Plan requires the Committee to set goals for named officer annual incentives within the first 90 days of a performance year and governs the Committee's flexibility in determining whether we achieved our goals. We further discuss the reasons the Committee ties elements of compensation to goal achievement in the Compensation Objectives table beginning at page 32.

For each performance year, the Committee establishes annual and three-year cumulative EPS goals for the Company's corporate officers, at threshold, target and maximum goal levels. For 2009, these were the only two goals applicable to the named officers' incentives. Half of the incentive award to

them was based on performance against the annual EPS goal, and half was based on performance against the cumulative EPS goal. The Committee uses EPS goals as Performance Measures because they directly align named officer and stockholder interests. The Committee sets both annual and cumulative goals because it believes the relationship between historical and future achievement should affect the degree of difficulty of combined goal achievement each year.

Used in tandem, annual and cumulative goals allow the Committee to encourage the achievement of current year performance as well as sustained multi-year growth. The Committee sets the cumulative EPS goals each year of the three-year period in advance of certifying achievement of any annual goal for the three-year period. Incentive awards would be decreased if the cumulative goal was not met, even if the annual goal was met at the maximum level. Lack of annual goal achievement during any of the three years would impede cumulative goal achievement.

In determining EPS goals, the Committee generally considers our mix of businesses, the competitive outlook, annual capital expenditures and short-term strategy objectives. In setting cumulative EPS goals for a prospective three-year period, the Committee considers long-term strategic objectives and the possibility that, over the long-term, results for a certain year could exceed or fall below the desired annual growth targets and that a cumulative goal should have the effect of balancing the impact of significant year to year fluctuations in named officer incentive compensation as a result of performance toward annual goals. The Committee intends the combination of annual and cumulative goals to reflect sustained performance over time consistent with management’s and the Board’s emphasis on long-term stockholder value.

The Committee generally seeks to require the growth in diluted EPS to be at a rate at least comparable to upper percentiles of other public companies with similar products and services. It seeks to increase the difficulty of goal achievement by the named officer’s opportunity levels as follows:

<u>Goal Level</u>	<u>Expected Conditions Under Which Goals Would be Met</u>
Threshold EPS Goals	Unless adverse business conditions occur
Target EPS Goals	If we execute strategic business plans and if business conditions are reasonable
Maximum EPS Goals	If we execute strategic business plans more effectively and market conditions are better than we expect

Various factors could cause actual results to vary from performance goals, and in light of these variables it is not possible for the Committee to reliably quantify differences in difficulty among the various achievement levels. The Committee does not perform a statistical analysis to predict future achievement based on historical goal achievement. Rather, the Committee seeks to set goals it believes will incent participant performance at levels that would achieve Board objectives, and will cause payouts of incentive compensation at levels over time that further its purpose of retaining executives and linking pay to performance.

We do not disclose the Incentive Program goals because they are confidential business information. We believe that disclosure of any of the Incentive Program goals could cause substantial economic harm to our competitive position.

**Award Determinations and Components.** The Committee determines the percentage of each named officer's base salary to be awarded as an incentive at each level of goals we meet. The Committee does not follow a precise formula to cause incentive awards to constitute a certain percentage of overall compensation. However, the Committee does consider its total direct compensation and total cash compensation objectives set forth on page 33.

Named officer incentive opportunity levels for 2009 were:

Named Officer	Opportunity Level % of Base Salary		
	Threshold	Target	Maximum
Messrs. McDonnell and Hooley . . . . .	100	200	300
Thomas A. McCullough . . . . .	90	180	270
Messrs. Hager and Boehm . . . . .	50	100	150

The Committee selected the percentages based on the total cash and total direct compensation objectives, executive officer retention considerations, and the officer's position level, rather than on individual performance. The Committee determines the total incentive by applying the opportunity level at the goal level achieved to base salary.

The 2005 Plan requires the Committee to certify, no later than 90 days following the performance year, the degree to which goals were met for the performance year. The Committee grants awards on the same date it determines goal certification, and cash incentives are paid no later than March 15 of the year following the performance year. We average payout levels of the two goals applicable to each named officer to determine an aggregate percentage of salary that will dictate the amount of the award.

Under the Plan, the Committee, on an award grant date, may provide that the performance results may be adjusted to reflect unusual or nonrecurring events or in response to changes in applicable laws, regulations or accounting principles. The Committee may only exercise downward discretion with respect to named officers subject to the extent consistent with Code Section 162(m).

The Committee finalized the 2009 cumulative and annual EPS goals applicable to the named officers in early 2009. The Committee certified that the Company exceeded its target cumulative goal and exceeded its threshold annual EPS goal. In determining the award payments for the 2009 performance year, the Committee excluded from the cumulative performance goal calculations certain items that had previously been excluded in determining performance for 2007 and 2008. It also excluded from the annual and cumulative goal calculations both the effects of an equity investment gain recognized at a joint venture and the gain from remeasuring the previously held equity interest in Argus Health Systems, Inc., which prior to and for a portion of 2009 was a joint venture and not wholly-owned.

The Committee requires deferral of half of the award attributable to performance above the threshold opportunity level. Subject to forfeiture and to accelerated vesting in limited circumstances (as discussed beginning at page 44), the deferred cash award vests two years and 11 months from the end of the performance year for which the deferred portion was earned. The Committee selected a vesting period that was approximately as long as the three-year vesting period that has historically applied to Incentive Program grants. For 2009, each named officer received a portion of his Incentive Program award in the form of deferred cash, as shown on page 50.

***UPFRONT RESTRICTED STOCK***

In late 2004, the Committee granted restricted stock under the 2005 Plan to named officers in our employment at that time. The stock vested in January 2010. A condition to vesting was achievement of a diluted EPS performance goal to be met for any year of the 2005 through 2009 performance period.

Vesting also required that named officers generally must have remained in our employ until the end of the five-year restrictive period.

The Committee did not follow a specific formula in determining the value of upfront restricted stock as a certain percentage of individual compensation or in determining each named officer's number of shares. The Committee considered the total direct compensation ranges set forth on page 33 as well as:

- each officer's position and level of responsibility
- the value of the restricted stock considering the degree of difficulty in achieving the EPS criteria and other terms and conditions of the grant
- the historical targets the Committee set for annual compensation
- the aggregate value of annual equity compensation represented by the upfront restricted stock over the five-year performance period.

The Committee desired that the goal be reasonably achievable if we accomplished strategic and challenging objectives. It selected a reported results structure, requiring that goal achievement be reflected in our audited results and reported in our Annual Report on Form 10-K. The structure precluded the Committee from exercising discretion to allow vesting absent goal attainment. We further discuss the reasons the Committee ties elements of compensation to goal achievement in the Compensation Objective table beginning at page 32.

We met the goal with 2005 results, realizing significant long-term strategic objectives sooner than anticipated through favorable market conditions and the execution of three significant transactions in 2005. Despite goal achievement, the shares were generally subject through the January 31, 2010 vesting date to forfeiture upon termination of employment, with exceptions discussed beginning at page 44.

#### ***PERQUISITES***

The Committee receives input regarding perquisites from our Chief Executive Officer, President, and Chief Financial Officer. In 2009, the Committee allowed Mr. McDonnell personal use of aircraft in which we own fractional interests. It also allowed Messrs. Hooley and McCullough limited personal use. From time to time, personal use by an executive officer may occur due to personal or family health issues or emergencies. The Committee monitors personal use through receipt at least four times per year of reports from our Chief Financial Officer. Mr. McCullough's limited personal use terminated in connection with his retirement as an executive officer on December 31, 2009. Executives may also receive estate planning services, tax return services, paid parking, reimbursement for medical physical examinations, and personal use of a Company car or car allowance. We reimburse spouse or guest travel to, and family entertainment at, an annual planning meeting at which executive officers and spouses or guests interact with each other and with members of the Board and their spouses or guests. We generally hold the annual meeting at a location away from Kansas City, Missouri, where our principal offices are located, but for 2009 held it at our principal offices. Mr. Hooley received relocation benefits when he joined the Company during 2009. We do not gross-up named officer perquisites for tax liabilities.

#### ***INSURANCE BENEFITS***

The Committee receives input from our Chief Financial Officer regarding health and welfare benefits for all employees. Named officers can participate in group health, vision and dental insurance plans on the same basis as other employees. We provide the named officers with individual variable life insurance policies in lieu of participation in our employee group life policy. The policies are portable and allow the named officers to accrue cash surrender value. In consideration of the potential needs of

named officers and their families in the event of long-term disability, we provide named officers with a long-term disability policy to allow a similar income replacement percentage of salary as is available to employees in general.

***POST-EMPLOYMENT AND CHANGE IN CONTROL PROTECTIONS***

**Committee Determinations.** The Committee believes that post-employment and retirement benefits and change in control protections:

- promote named officer retention by generally protecting officers against forfeiture of awards for termination of employment outside of their control
- further the officer’s commitment to the Company by accelerating the vest date of certain awards and accounts if the officer retires (as defined in the applicable award agreement)
- provide stability in the event of a possible change of control
- reward long-term service by increasing retirement accumulations.

For our current benefits, the Committee considered:

- whether in certain contexts retention and other long-term compensation purposes of awards are served by forfeiture of an award for termination of employment
- deferred plans and award structures and their compliance with Code Section 409A so that excise taxes and penalties do not dilute the value of the award
- tax laws and regulations applicable to our qualified and nonqualified plans.

In determining post-employment and retirement benefits, the Committee considers advice from outside benefits counsel. Our Chief Executive Officer, President, Chief Financial Officer, or General Counsel presents outside counsel’s written explanations of benefit laws and regulations to the Committee.

**Summary of Arrangements.** As of December 31, 2009, we had the following arrangements that provide post-employment and change in control benefits:

**2005 Plan Awards.** These include upfront restricted stock (vested in January 2010) and vested stock options granted prior to 2004. Currently unvested Plan awards granted prior to year-end include Incentive Program deferred cash awarded for the 2007 and 2008 performance years and scheduled to vest in December 2010 and 2011 as well as stock option awards that are a component of 2010 compensation as described on page 49.

The non-change in control vesting terms and conditions of currently unvested awards are summarized in the following table. The change in control terms and conditions are described beginning at page 47. The table and notes beginning at page 58 further describe award terms and conditions.

<u>Award Terms and Conditions</u>	<u>Description</u>
Non-solicitation, non-compete obligations	All agreements prohibit named officers from both working for a competitor during any period for which they are receiving separation pay and soliciting employees and customers for one year after termination of employment for any reason. Vesting and other rights under the award agreements are subject to compliance with these provisions.

Award Terms and Conditions

Description

Retirement

Options: Named officers who retire after meeting the retirement eligibility requirements in their option agreements (reaching age 59½ and having at least three years of Company service) have the remainder of the term of their options to exercise vested options. The benefit would be significant if the price of stock increases substantially between the retirement date and the exercise date. Without this retirement protection, a named officer would be required to exercise the options in connection with the termination of employment. The Committee believes that future market prices should not be a motivation for a retirement-aged employee who has satisfied applicable years of service requirements to remain employed, and considers it reasonable to allow a person whose termination constitutes a retirement to have the benefit of the full term of the option.

Deferred cash: The Committee selected full vesting upon retirement because the retiree (for these awards, a person who terminates employment after reaching age 59½) contributed to the performance that triggered the grant.

Death or Disability

The death or disability of a named officer accelerates the vesting of stock options and deferred cash awards. The Committee selected accelerated vesting in consideration of the potential needs of the grantee and the grantee's family.

Business Unit Divestiture  
or  
Reduction in Force

Options: The stock options with time-vesting provisions granted in 2009 vest pro rata upon a business unit divestiture or reduction in force if at least six months have elapsed since the grant date, and the remaining options are forfeited. The Committee believes it is appropriate to allow such vesting, as the Company's actions would have terminated the vesting period. The Committee does not believe such vesting is appropriate for Mr. Hooley's performance stock options granted in 2009, and those unvested options would lapse upon the occurrence of either event.

Deferred cash: The Committee believes an employee should not forfeit deferred cash in a termination without cause that is a business unit divestiture or a reduction in force. In a business unit divestiture, the Committee allows the awards to continue to vest over the original vesting period, generally subject to (i) forfeiture if the grantee voluntarily terminates employment before retirement age with the acquiring entity, or (ii) early vesting for terminating employment on or after age 59½ with an acquiring entity. In a reduction in force, the Committee allows the awards to continue to vest over the original vesting period, subject to early vesting for reaching age 59½. The continued vesting is in recognition of the contribution of the group of affected employees to the performance that triggered the grant.

**Employment Agreements.** Each named officer other than Mr. Boehm has an employment agreement. Mr. Hager's agreement predates the existence of the Committee. Mr. McCullough's employment agreement is no longer in effect, as he has retired. The employment agreements are summarized on page 52. The Committee based the separation pay periods and change in control

protections of Messrs. McDonnell and Hooley on the recommendations of Deloitte and our General Counsel regarding appropriate and common provisions for executives at top management levels. Their employment agreements prohibit them, for three years following termination of employment for any reason, from soliciting employees, soliciting customers for the benefit of a competitor, or acquiring an interest in a competitor other than an insignificant interest in a public company. Our obligations to pay separation and change in control benefits under the agreements cease if they violate such covenants.

**Qualified and Non-Qualified Plans.** The arrangements are summarized in the following table. Further information about the plans is provided in the Nonqualified Deferred Compensation section beginning at page 52.

<u>Plan/Program</u>	<u>Description</u>
401(k) Profit Sharing Plan	Each named officer participates, and all named officers' accounts are vested. The Company made contributions under the 401(k) Profit Sharing Plan to each named officer for 2009. The plan has been in place in various forms since January 1, 1970. Like other participants, named officers receive from both discretionary profit sharing contributions and matching contributions with respect to their salary deferral contributions. Accounts generally vest based on years of service. The 401(k) portion of the accounts is credited with earnings, gains or losses based on the participant's investment direction from among various investment options available under the plan, including DST stock, and the profit sharing portion of the accounts is credited with earnings, gains or losses based on Company-directed investments. Accounts are distributable upon separation from service for any reason, financial hardship, or reaching age 59½.
Supplemental Executive Retirement Plan ("SERP")	During 2007, the Compensation Committee reviewed the tax costs and efficiencies from maintaining the SERP and considered other deferral arrangements available to named officers. The Committee partially terminated the SERP and distributed SERP account balances to all active participants except Messrs. McDonnell, Hager and McCullough. The Committee made a SERP contribution for 2009 to the accounts of Messrs. McDonnell, Hager and McCullough at a rate that is higher than the final annual contribution rate (7.69%) that was made to plan participants in order to equalize the value of contributions we would have made to our 401(k) Profit Sharing Plan and of forfeiture amounts that we would have credited to their plan accounts if certain tax regulations had not limited contributions. The higher annual contribution rate (20% for 2009) to the remaining three participants has been in consideration of the unavailability of account distribution to them. The Committee also recognized that the three officers may not be able to participate in the plan for a sufficient future period such that continuing annual contributions would equal the value of the special contribution that was made to the terminating participants in connection with the partial plan termination. The Committee will continue its practice of annually considering the contribution rate for the three remaining participants.

<u>Plan/Program</u>	<u>Description</u>
Extended Deferrals of Incentive Program Awards	For tax and retirement planning, the Committee allows deferrals of current cash awards and extended deferrals of vested deferred cash awards, each granted under the Incentive Program. We distribute deferred Incentive Program amounts on the earlier of the payout date elected by the participant or termination of employment so long as, for deferred cash, the award is vested. The named officers did not have current cash incentives in voluntary deferral during 2009, but Messrs. McDonnell and Hager have elected to keep their vested deferred cash awards in voluntary deferral until separation from service.

***Change in Control Terms and Conditions.*** Certain of our compensation arrangements provide for award and account vesting and issuance and separation pay following a change in control, as described below and in greater detail in the table and notes beginning at page 58. The following table describes the Committee’s reasoning in selecting the current change in control triggering events included in our material arrangements with our named officers.

<u>Provision</u>	<u>Rationale</u>
Incumbent directors cease to represent 75% of the Board	The Committee set this threshold so that only a major change in Board composition resulting from a change in control would trigger change in control benefits.
A person becomes the beneficial owner of 20% or more of our common stock without approval of the Board	The Committee set this threshold recognizing that a 20% stockholder could exert substantial influence over our management policies. With cumulative voting, a 20% stockholder could elect one director each year in which three directors are elected and thus control the Board over time. An exception to this change in control trigger is a 20% stockholder who acquires shares through an agreement with the Board. The exception avoids unintended change in control benefits if the Board enters into an agreement with a so-called “white knight” (a third party with whom the Board negotiates an acquisition of the Company for the purpose of defeating a hostile takeover attempt).
We consummate a transaction involving less than 60% control by existing stockholders	The Committee incorporated the “consummation” and “existing stockholder” concepts into the definition to avoid an unintended change in control benefits if either stockholders approve a proposal that is never consummated or effective control of the Company remains with our stockholders after consummation of the transaction. To protect executives from compensation avoidance if the Board approves a transaction as part of a “bear hug” (typically, a hostile proposed acquisition made under circumstances that require a rapid response and/or public disclosure), transactions receiving Board approval are not excepted from this component of the change in control definition.
Stockholders approve a liquidation or asset sale unless a “related party” acquires control of our assets	The Committee designed this provision to avoid the risk of unintended change in control benefits if a majority-owned subsidiary, employee group, employee benefit plan or corporation controlled by our stockholders acquires control of our assets.

The Committee allows full vesting of an award and the payout of separation benefits to occur in connection with a change in control only if within an established period after the change in control, a termination of employment occurs, whether by the Company without cause or by the employee as a resignation for good reason. These vesting preconditions (a change in control, then a termination of employment) are known as a “double trigger.” The Committee believes that a double trigger is in the best interest of our stockholders because it:

- provides 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
- provides our executives with change in control severance benefits similar to those in place at other similar companies
- forces an acquirer to evaluate whether to retain our executives by making it potentially more expensive to dismiss one of our executives rather than one of its own executives.

The Committee has incorporated double trigger vesting into employment agreements, deferred cash and stock option awards, as shown in the table and notes beginning at page 58.

The employment agreements of Messrs. McDonnell, Hager and Hooley entitle them (and Mr. McCullough’s employment agreement, when in effect, would have entitled him), if we have a change in control, to employment for a three-year period at the same executive capacity, salary and benefit levels in effect on the change in control date. If we terminate employment after the change in control date other than for cause, those named officers each have a right to payment of his base salary through termination plus a lump sum cash severance payment based on his salary for the remainder of the three-year period and to continuation of benefits to the end of that period, including lump sum payments based on hypothetical Incentive Program achievement (further described in note (j) beginning at page 60). If the executive resigns for good reason during the three-year period after a change in control, he is to receive the same payments and benefits as if we had terminated his employment without cause. Additionally, the agreements entitle the named officers to certain rights to gross-up amounts to cover additional tax liabilities under Code Section 4999 in the event it applies to the change in control payments. If a named officer is entitled to such gross-up payments, they will generally be made in a lump sum consistent with the other change in control payments to the named officer.

### ***DEVELOPMENTS FOR 2010***

For his 2010 compensation, Thomas A. McDonnell suggested, and the Committee approved, a continued base salary decrease of \$100,000 from the \$750,000 base salary required by his employment agreement. Mr. McDonnell's suggestion of the reduction to \$650,000 reflects his continued support of, and contribution to, various payroll cost containment and expense management initiatives we have undertaken in light of the economic downturn. If we achieve goals set by the Committee for 2010 for our Incentive Program, Mr. McDonnell's incentive opportunity levels will continue to be applied to his employment agreement base salary.

In late 2009 and early 2010, the Committee addressed the expiration of the 2004 through 2009 performance period for the upfront restricted stock granted in 2004. The Committee engaged Deloitte throughout 2009 to advise on equity and long-term incentive compensation practices for 2010 and future years. The Committee designed the equity component of 2010 compensation and selected a limit on equity compensation as a percentage of projected pretax income. For all named officers other than Thomas A. McCullough, who has retired, the Committee has granted, as the equity component of 2010 compensation, time-vested stock options and performance-based restricted stock units. In addition, Stephen C. Hooley was awarded options that vest based on increases in earnings per share.

**NAMED OFFICER COMPENSATION**

***SUMMARY COMPENSATION TABLE***

<u>Name and Principal Position</u>	<u>Year</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>
		<u>Salary (1)(\$)</u>	<u>Bonus (2)(\$)</u>	<u>Option Awards (3)(\$)</u>	<u>Non-Equity Incentive Plan Compensation (4)(\$)</u>	<u>All Other Compensation (5)(\$)</u>	<u>Total (5)(\$)</u>
Thomas A. McDonnell . . . . Chief Executive Officer	2009	650,000	—	—	2,271,458	808,990	3,730,448
	2008	750,000	—	—	1,362,897	1,032,687	3,145,584
	2007	750,000	—	—	2,277,116	900,515	3,927,631
Kenneth V. Hager . . . . . Vice President, Chief Financial Officer and Treasurer	2009	310,000	—	468,922	517,125	148,863	1,444,910
	2008	310,000	—	—	333,236	174,358	817,594
	2007	300,000	—	—	476,605	164,002	940,607
Stephen C. Hooley . . . . . President and Chief Operating Officer	2009	275,000	1,000,000	2,074,791	621,500	128,239	4,099,530
Thomas A. McCullough . . . . Executive Vice President until retirement on December 31, 2009	2009	525,000	—	—	1,251,282	451,957	2,228,239
	2008	575,000	—	—	1,444,693	512,763	2,532,456
	2007	575,000	—	—	1,603,663	500,407	2,679,070
Jonathan J. Boehm . . . . . Executive Vice President	2009	391,667	—	656,154	594,152	43,359	1,685,332

- (1) Mr. Hooley commenced employment July 1, 2009, so he earned only a portion of his 2009 base salary of \$550,000.
- (2) Mr. Hooley received a \$1,000,000 signing bonus in connection with the commencement of his employment.
- (3) Vesting terms and conditions are described in the table and notes beginning at page 58. For our accounting assumptions in deriving the amount in Column C, see note (11) to the Consolidated Financial Statements in our Form 10-K for the year ended December 31, 2009.
- (4) Current cash and deferred cash are the two components of the Incentive Program award for 2009 goal achievement (first two columns in the table below). Deferred cash vesting terms and conditions are described in the table and notes beginning at page 58. Deferred cash accounts are subject to earnings and losses based on hypothetical investment choices (third column, below). Column D of the Summary Compensation Table for 2009 does not include deferred cash awards made in February 2009 because those awards were for 2008 Incentive Program performance. We show those awards in the Grants of Plan-Based Awards in 2009 table on page 55. The amounts in Column D for 2009 are a total of the following:

<u>Named Officer</u>	<u>Current Cash Incentive for 2009 Performance Year, Paid in 2010 (\$)</u>	<u>Deferred Cash Incentive for 2009 Performance Year, Granted in 2010 (\$)</u>	<u>Earnings (Losses) During 2009 for Incentive Awards in Deferral (\$)</u>
Thomas A. McDonnell . . . . .	1,222,500	472,500	576,458
Kenneth V. Hager . . . . .	252,652	97,651	166,822
Stephen C. Hooley . . . . .	448,250	173,250	—
Thomas A. McCullough . . . . .	843,525	326,025	81,732
Jonathan J. Boehm . . . . .	319,209	123,375	151,568

(5) Amounts in Column E for 2009 are a total of the following:

	<b>Thomas A. McDonnell</b> (\$)	<b>Kenneth V. Hager</b> (\$)	<b>Stephen C. Hooley</b> (\$)	<b>Thomas A. McCullough</b> (\$)	<b>Jonathan J. Boehm</b> (\$)
Matching Contribution to 401(k) for 2009 plan year . . . . .	7,350	7,350	2,977	7,350	7,350
Discretionary Profit Sharing Contribution for 2009 plan year . . . . .	10,288	10,288	10,288	10,288	10,288
Supplemental Executive Retirement Plan Contribution for 2009 plan year . . . . .	440,000	83,061	—	299,910	—
Life Insurance Premiums . . . . .	23,584	9,949	3,276	14,832	6,442
Anniversary Service Award . . . . .	1,385	924	—	—	—
Tax Gross-ups* . . . . .	35	23	—	—	—
Perquisites and Personal Benefits if Total is at or above \$10,000** . . . . .	326,348	37,268	111,698	119,577	19,279

\* All employees at all levels who receive an anniversary service award also receive an amount for their income tax liability on the award so that they may enjoy the full benefit of achieving their anniversary award.

\*\* The 2009 perquisites and personal benefits for the named officers include:

<b>Perquisite or Personal Benefit</b>	<b>Thomas A. McDonnell</b>	<b>Kenneth V. Hager</b>	<b>Stephen C. Hooley</b>	<b>Thomas A. McCullough</b>	<b>Jonathan J. Boehm</b>
Paid Parking . . . . .	X	X	X	X	X
Long-Term Disability Premiums . . . . .	X	X	X	X	X
Personal Use of Company Car or Car Allowance . . . . .	X	X	X	X	X
Estate Planning Services . . . . .	X	—	—	X	—
Tax Return Preparation Services . . . . .	X	X	—	X	—
Company Reimbursed Physical . . . . .	X	—	—	—	X
Personal Use of Aircraft in which the Company has a Fractional Interest(i) . . . . .	X	X	X	X	—
Relocation Expenses(ii) . . . . .	—	—	X	—	—

(i) The incremental cost of aircraft personal use during 2009 was \$270,949 for Mr. McDonnell and \$90,752 for Mr. McCullough. The incremental cost for each flight includes the hourly charge for the flight, the fuel charge for the flight, and the ground transportation charge. We did not include in the incremental cost any portion of our monthly aircraft management fee, which we would have paid regardless of the personal use, or depreciation on the plane, which does not vary based on use.

(ii) The relocation expenses were \$92,242 and consist of moving company transportation charges and our incremental cost related to a guaranteed buy-out of Mr. Hooley's residence, which was sold for purposes of his relocation to Kansas City to commence his DST employment. The guaranteed buy-out cost includes the unrecouped portions of a management fee to a realtor for the sale of the home and of expenses during the sales period. It also includes our interest carrying costs for our advances during the home sales period.

**ADDITIONAL INFORMATION REGARDING SUMMARY COMPENSATION TABLE**

The Compensation Committee does not target base salary to be a certain percentage of total compensation. Rather, the Committee determines base salaries as described on page 40. The Committee incorporates a significant “at risk” component into compensation packages using the methods described in the Compensation Objectives table that begins at page 32. Named officers have the Incentive Program awards, restricted stock, retirement programs, perquisites, insurance benefits, deferral programs, and separation from service and change in control protections we describe in our Compensation Discussion and Analysis.

Employment agreements address certain of the compensation elements shown in the Summary Compensation Table. Mr. McCullough’s agreement has terminated and Mr. Boehm does not have an employment agreement. The following table summarizes the agreements.

<u>Named Officer</u>	<u>Base Salary Required by Agreement</u>	<u>Opportunity Levels Required by Agreement</u>	<u>Term of Agreement and Miscellaneous*</u>
Thomas A. McDonnell . . . . .	At least \$750,000, but amount was less for 2009 as explained on page 49	At least the percentages shown on page 42	December 31, 2010
Kenneth V. Hager . . . . .	As determined by the Compensation Committee	As determined by the Compensation Committee	Until terminated by either party
Stephen C. Hooley . . . . .	At least \$550,000	At least the percentages shown on page 42	Until terminated by either party
Thomas A. McCullough . . . . .	At least \$575,000 but amount was less for 2009 as explained on page 49	At least the percentages shown on page 42	December 31, 2009

\* We describe non-solicitation and non-compete obligations on page 44. If we terminate employment without cause, we will pay the separation benefits described in note (h) on page 60. Each agreement entitles the executive to the change in control protections described beginning at page 47 and in note (j) beginning at page 60. Any agreement with an expiration date is subject to automatic one-year renewal unless otherwise terminated. The executive may terminate employment on at least 30 days’ notice and may terminate employment with or without cause. An agreement cannot be amended except in a writing signed both by the executive and the Company.

**NONQUALIFIED DEFERRED COMPENSATION**

The following table shows nonqualified deferred information for amounts contributed and earnings during 2009. We describe the various forms of nonqualified deferral programs following the table.

<u>Named Officer</u>	<u>A</u> <u>Registrant Contributions in 2009</u> <u>(1)(\$)</u>	<u>B</u> <u>Aggregate Earnings in 2009</u> <u>(2)(\$)</u>	<u>C</u> <u>Aggregate Withdrawals/ Distributions in 2009(3)(\$)</u>	<u>D</u> <u>Aggregate Balance at December 31, 2009(4)(\$)</u>
Thomas A. McDonnell . . . . .	1,293,500	1,241,143	—	12,711,084
Kenneth V. Hager . . . . .	261,831	196,177	—	1,483,993
Thomas A. McCullough . . . . .	889,755	261,201	—	5,737,685
Jonathan J. Boehm . . . . .	173,251	151,568	118,954	409,495

(1) All Other Compensation for 2008 in the Summary Compensation Table contained in last year’s annual meeting proxy statement included the amounts shown in Column A. Column A aggregates deferred cash awards made in 2009 for the 2008 Incentive Program year (also shown in the Grants

of Plan-Based Awards in 2009 table on page 55) and the following SERP contributions described in last year's annual meeting proxy statement in Compensation Discussion and Analysis.

<u>Named Officer</u>	<u>SERP Contributions in 2009 for 2008 Plan Year(\$)</u>
Thomas A. McDonnell . . . . .	551,000
Kenneth V. Hager . . . . .	108,381
Thomas A. McCullough . . . . .	377,430

- (2) Column B shows for each named officer the aggregate earnings during 2009 on deferred cash awards and on accounts maintained under the SERP, the Executive Plan, and the terminated Directors' Deferred Fee Plan. The range of 2009 earnings rates on available hypothetical investments for all of the nonqualified deferral accounts other than deferred cash accounts was 4.04% to 54.74%. The range of 2009 earnings rates on available hypothetical investments for deferred cash accounts was .15% to 62.84%.
- (3) Column C shows the distribution in 2009 to Mr. Boehm of an Incentive Program deferred cash award, which vested December 1, 2009.
- (4) The amount shown for each named officer in Column D is the aggregate year-end balance of nonqualified deferral accounts. Each named officer had the following nonqualified deferral accounts as of December 31, 2009:

<u>Named Officer</u>	<u>Type of Account</u>			
	<u>Deferred Cash Award</u>	<u>SERP</u>	<u>(Terminated) Executive Plan</u>	<u>(Terminated) Directors' Deferred Fee Plan</u>
Thomas A. McDonnell . . . . .	X	X	X	X
Kenneth V. Hager . . . . .	X	X	X	—
Thomas A. McCullough . . . . .	X	X	X	X
Jonathan J. Boehm . . . . .	X	—	—	—

Of the Column D amount, we reported the following as "All Other Compensation" in the Summary Compensation Tables contained in prior annual meeting proxy statements:

<u>Named Officer</u>	<u>Amounts from Column D Reported in Previous Summary Compensation Tables(\$)</u>
Thomas A. McDonnell . . . . .	4,395,749
Kenneth V. Hager . . . . .	783,982
Thomas A. McCullough . . . . .	3,517,895
Jonathan J. Boehm . . . . .	177,302

The Column D amounts for Messrs. McDonnell, Hager and McCullough include deferred cash amounts that would be payable upon termination of employment, as follows:

<u>Named Officer</u>	<u>Amounts Payable Upon Termination at December 31, 2009(\$)</u>
Thomas A. McDonnell . . . . .	12,711,084
Kenneth V. Hager . . . . .	1,117,768
Thomas A. McCullough . . . . .	5,737,685

We would pay the deferred cash amounts upon death, disability, or termination of employment for any reason. A change in control not followed by termination of employment would not trigger payment of such amounts. The scheduled vesting date has already occurred for Mr. Hager's

amount. Amounts shown for Messrs. McDonnell and McCullough include amounts for which the vesting date has already occurred plus deferred cash awards for performance years 2007 and 2008 for which the scheduled vesting dates have not already occurred. Payout of the 2007 and 2008 balances would occur upon their termination of employment prior to the scheduled vesting dates due to their retirement eligibility.

**Nonqualified Deferral Programs.**

***Incentive Program Awards in Deferral.*** With respect to current cash incentives, named officers can, by making an election by June 30 of the performance year, voluntarily defer for a period of years or until separation from service the current cash awards they receive under the Incentive Program. Named officers can voluntarily extend the future payout of vested deferred cash awards beyond the vesting period for a period of years or until separation from service. After electing an initial payout date, participants can further extend the payout for a minimum of five years. Per applicable law, we must receive such election no later than one year prior to the initially selected payout date in order to comply with Code Section 409A.

***Deferral Plans.*** We describe the SERP on page 46. For years prior to 2008, we made annual SERP contributions to equalize the value of contributions we would have made to various qualified plans and of forfeiture amounts that we would have credited to qualified plan accounts if certain tax regulations had not limited contributions. The SERP accounts of Messrs. McDonnell, Hager and McCullough are vested. We make annual contributions to their accounts, as further described in our Compensation Discussion and Analysis.

The Executive Plan is a nonqualified deferred compensation plan terminated in 1995. Prior to termination of the plan, we credited each participant’s account with the value of contributions we would have made to the various qualified plans we maintained without regard to statutory contribution limits and eligibility requirements, less the amount we contributed to such qualified plans on the participant’s behalf. Messrs. McDonnell, Hager and McCullough have vested accounts.

We continue to hold fees Messrs. McDonnell and McCullough previously deferred under a Directors’ Deferred Fee Plan that was frozen effective August 31, 1995. The accounts are vested.

***Retirement Installment Payments.*** Account balances are payable in installments upon proper election, and named officers have elected as follows:

<u>Award or Plan</u>	<u>Installment Payout Requirement</u>	<u>Allowable Installment Period Not to Exceed</u>	<u>Installment Elections Made</u>
Incentive Program Awards In Deferral	Must be at least age 59½ at termination date	Five years	Messrs. McDonnell, Hager and McCullough
SERP	Must be at least age 59½ at termination date	Ten years	Messrs. Hager and McCullough
Executive Plan (terminated in 1995)	Compensation Committee Chairperson must approve installment payment and period	Five years	Mr. Hager
Directors’ Deferred Fee Plan (terminated in 1995)	Must be a least age 65	Ten years	Mr. McCullough

***Earnings on Deferred Amounts.*** We make credits to or deductions from all nonqualified deferral accounts, other than those maintained under the terminated Directors’ Deferred Fee Plan, based on hypothetical earnings. For the Incentive Program awards in deferral, we base earnings on the participants’ elections among a limited number of long-term investment choices, both equity-based and

income-oriented. The number of choices is administratively manageable but allows participants to diversify their hypothetical earnings and control their level of risk. The terminated Directors' Deferred Fee Plan also grows or decreases based on similar types of investments that are Company-directed. SERP and Executive Plan balances are adjusted based on a formula using ten-year U.S. Treasury bond rates. For all the plans, earnings and losses are credited or debited at least annually.

**GRANTS OF PLAN-BASED AWARDS IN 2009**

<u>Named Officer</u>	<u>Grant Date</u>	<u>Estimated Future Payouts Under Non-Equity Incentive Plan Awards(*)(\$)</u>	<u>All Other Option Awards; Number of Securities Underlying Options(#)</u>	<u>Exercise or Base Price of Option Awards(\$/Sh)</u>	<u>Grant Date Fair Value of Option Awards(\$)</u>
Thomas A. McDonnell . . . . .	2/19/2009	742,500	—	—	—
Kenneth V. Hager . . . . .	2/19/2009	153,450	—	—	—
	12/14/2009	—	27,800	43.8250	468,922
Stephen C. Hooley . . . . .	12/14/2009	—	70,400	43.8250	1,187,486
	12/14/2009	—	50,000	43.8250	887,305
Thomas A. McCullough . . . . .	2/19/2009	512,325	—	—	—
Jonathan J. Boehm . . . . .	2/19/2009	173,251	—	—	—
	12/14/2009	—	38,900	43.8250	656,154

\* These amounts are deferred cash awards resulting from performance against 2008 Incentive Program goals and are not affected by future Company performance. The deferred cash awards vest on December 1, 2011, subject to accelerated vesting in limited circumstances and to forfeiture. We will adjust the payout amount based on hypothetical investments the named officers select from among choices we offer. The estimated payout amount does not include this adjustment. The named officers who received deferred cash awards also received a current cash incentive for 2008 performance. Such incentives were not future payments, and the column does not include them.

**OPTION EXERCISES IN 2009**

<u>Named Officer</u>	<u>Option Awards</u>	
	<u>Number of Shares Acquired On Exercise(#)</u>	<u>Value Realized On Exercise(\$)</u>
Kenneth V. Hager . . . . .	90,214	293,546
Jonathan J. Boehm . . . . .	52,228	418,011

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**  
(December 31, 2009)

Named Officer	Option Awards(1)					Stock Awards(2)	
	A	B	C	D	E	F	G
	Number of Securities Underlying Unexercised Options Exercisable(#)	Number of Securities Underlying Unexercised Options Unexercisable(#)	Equity Incentive Plan Awards Number of Securities Underlying Unexercised Unearned Options(#)	Option Exercise Price(\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(#)	Market Value of Shares or Units of Stock That Have Not Vested(\$)
Thomas A. McDonnell . . .	318,175			46.8750	02/28/10	200,500	8,731,775
	47,040			36.5625	05/09/10		
	109,700			55.9688	11/14/10		
	17,397			60.3500	02/28/11		
	264,250			45.7500	05/08/11		
	25,250			54.1400	07/10/11		
	301,930			43.9350	11/13/11		
	16,620			47.1550	01/08/12		
	32,430			42.5500	02/26/12		
	44,700			48.2300	05/14/12		
	388,075			31.0450	11/01/12		
	11,925			37.6200	01/14/13		
Kenneth V. Hager . . . . .	54,250			55.9688	11/14/10	50,500	2,199,275
	4,473			60.3500	02/28/11		
	68,110			45.7500	05/08/11		
	2,930			43.9350	11/13/11		
	8,811			42.5500	02/26/12		
	100,000			31.0450	11/01/12		
	13,431			27.9200	02/26/13		
		27,800		43.8250	12/14/19		
Thomas A. McCullough .						137,800	6,001,190
Stephen C. Hooley . . . . .	25,000			39.3350	12/16/13		
		70,400		43.8250	12/14/19		
			50,000	43.8250	12/14/19		
Jonathan J. Boehm . . . . .	6,817			37.7800	02/28/10	75,000	3,266,250
	2,520			55.9688	11/14/10		
	4,173			60.3500	02/28/11		
	4,910			45.7500	05/08/11		
	7,500			43.9350	11/13/11		
	8,106			42.5500	02/26/12		
	11,320			48.2300	05/14/12		
	100,000			31.0450	11/01/12		
	12,354			27.9200	02/26/13		
		38,900		43.8250	12/14/19		

(1) Column A includes all options granted prior to 2009, which are vested. Column B includes non-performance-based options granted in December 2009, which are unvested. Column C shows

Mr. Hooley's performance-based options granted in December 2009. All of the unvested options are subject to forfeiture for termination of employment prior to vesting except for the special vesting events described in the table and notes beginning at page 58. Mr. Hooley's performance options forfeit if goals are not achieved during the option term, except that, as described in note (f) on page 60, the performance goals no longer apply in the event of a change in control.

- (2) Column F shows upfront restricted stock granted in 2004, which vested in January 2010. The dollar amounts shown in Column G are the product of the number of shares and the \$43.55 closing price of DST stock on December 31, 2009. Prior to vesting, the upfront stock was subject to forfeiture for failure to achieve goals and for termination of employment except for the special vesting events described in the table and notes beginning at page 58.

**NAMED OFFICER AWARD/ACCOUNT VALUES FOR CERTAIN EVENTS**

In this section, we show the effect of certain events if, hypothetically, they had occurred as of December 31, 2009. Neither voluntary termination of employment other than retirement nor termination for cause would have caused accelerated award vesting, accelerated award issuance, or separation benefits. Other termination of employment events would have caused acceleration or separation benefits as shown in the following table. Beginning at page 44, we describe the reasons for the post-employment and retirement benefits and the change in control protections shown below.

	<b>Thomas A. McDonnell</b>	<b>Kenneth V. Hager</b>	<b>Stephen C. Hooley</b>	<b>Thomas A. McCullough</b>	<b>Jonathan J. Boehm</b>
	(\$)	(\$)	(\$)	(\$)	(\$)
December 31, 2009					
Hypothetical Event					
<i>Death or Disability(a)</i>					
Upfront Restricted Stock . . . . .	8,731,775	2,199,275	0	6,001,190	3,266,250
Deferred Cash Awards . . . . .	1,589,917	366,225	0	1,038,422	409,495
Stock Option Awards . . . . .	0	2,502	10,836	0	3,501
<b>Total . . . . .</b>	<b>10,321,692</b>	<b>2,568,002</b>	<b>10,836</b>	<b>7,039,612</b>	<b>3,679,246</b>
<i>Retirement(b)</i>					
Upfront Restricted Stock . . . . .	8,731,775	0	0	6,001,190	0
Deferred Cash Awards . . . . .	1,589,917	0	0	1,038,422	0
<b>Total . . . . .</b>	<b>10,321,692</b>	<b>0</b>	<b>0</b>	<b>7,039,612</b>	<b>0</b>
<i>Termination without cause in connection with a reduction in force(c)</i>					
Upfront Restricted Stock . . . . .	8,731,775	2,199,275	0	6,001,190	3,266,250
Deferred Cash Awards . . . . .	1,589,917	0	0	1,038,422	0
Severance Base Salary . . . . .	1,500,000	310,000	1,150,000	1,100,000	0
Life and Health Premiums . . . . .	66,646	23,438	33,848	49,142	0
Severance Incentive Award . . . . .	1,695,000	350,300	621,500	1,169,550	0
Premium Gross-Up . . . . .	46,683	16,725	24,153	35,067	0
<b>Total . . . . .</b>	<b>13,630,021</b>	<b>2,899,738</b>	<b>1,829,501</b>	<b>9,393,371</b>	<b>3,266,250</b>
<i>Termination without cause in connection with a business unit divestiture(d)</i>					
Upfront Restricted Stock . . . . .	8,731,775	2,199,275	0	6,001,190	3,266,250
Deferred Cash Awards . . . . .	1,589,917	0	0	1,038,422	0
Severance Base Salary . . . . .	1,500,000	310,000	1,150,000	1,100,000	0
Life and Health Premiums . . . . .	66,646	23,438	33,848	49,142	0
Severance Incentive Award . . . . .	1,695,000	350,300	621,500	1,169,550	0
Premium Gross-Up . . . . .	46,683	16,725	24,153	35,067	0
<b>Total . . . . .</b>	<b>13,630,021</b>	<b>2,899,738</b>	<b>1,829,501</b>	<b>9,393,371</b>	<b>3,266,250</b>
<i>Other termination without cause(e)</i>					
Deferred Cash Awards . . . . .	1,589,917	0	0	1,038,422	0
Severance Base Salary . . . . .	1,500,000	310,000	1,150,000	1,100,000	0
Life and Health Premiums . . . . .	66,646	23,438	33,848	49,142	0
Severance Incentive Award . . . . .	1,695,000	350,300	621,500	1,169,550	0
Premium Gross-Up . . . . .	46,683	16,725	24,153	35,067	0
<b>Total . . . . .</b>	<b>4,898,246</b>	<b>700,463</b>	<b>1,829,501</b>	<b>3,392,181</b>	<b>0</b>
<i>Change in control(f)</i>					
Upfront Restricted Stock . . . . .	8,731,775	2,199,275	0	6,001,190	3,266,250
<b>Total . . . . .</b>	<b>8,731,775</b>	<b>2,199,275</b>	<b>0</b>	<b>6,001,190</b>	<b>3,266,250</b>

	Thomas A. McDonnell	Kenneth V. Hager	Stephen C. Hooley	Thomas A. McCullough	Jonathan J. Boehm
	(\$)	(\$)	(\$)	(\$)	(\$)
<i>Change in control followed by termination without cause or resignation for good reason(g)</i>					
Upfront Restricted Stock . . . . .	8,731,775	2,199,275	0	6,001,190	3,266,250
Deferred Cash Awards . . . . .	1,589,917	366,225	0	1,038,422	409,495
Stock Option Awards . . . . .	0	2,502	10,836	0	3,501
Severance Base Salary . . . . .	2,250,000	930,000	1,650,000	1,725,000	0
Benefit Continuation . . . . .	600,298	228,990	85,089	443,062	0
Severance Incentive Award . . . . .	4,500,000	930,000	3,300,000	3,105,000	0
Income or Excise Tax Gross-Up . . . . .	0	0	2,148,670	0	0
Change in Control Benefit Reduction . . . . .	0	0	0	0	0
<b>Total . . . . .</b>	<b>17,671,990</b>	<b>4,656,992</b>	<b>7,194,595</b>	<b>12,312,674</b>	<b>3,679,246</b>

- (a) *Death or Disability:* Vesting of upfront restricted stock, deferred cash accounts, and stock options would have accelerated. Upfront restricted stock has been valued using the December 31, 2009 closing price of DST stock, or \$43.55. Stock options unvested at year-end have been valued based on the spread between the fair market value on the grant date and the fair market value on an assumed December 31, 2009 exercise date. Under our Compensation Committee rules, \$43.825 is the grant date fair market value and strike price (average of high and low of DST stock price on December 14, 2009) and \$43.915 is the exercise date fair market value (average of high and low of DST stock price on December 30, 2009, which is the applicable valuation date for an exercise occurring prior to the close of the market on December 31, 2009). Employment agreement benefits would not have been paid.
- (b) *Retirement:* At December 31, 2009, only Messrs. McDonnell and McCullough, who are over age 59½, were eligible to retire. In connection with his retirement in early 2010, Mr. McCullough resigned as an executive officer as of year-end. Upfront restricted stock vests *pro rata* on retirement. Based upon the formula in the award agreement and the fact that almost the entire vesting period had already elapsed by year-end, all of the shares would have vested upon a year-end retirement. Vesting of deferred cash accounts would have accelerated. Stock options unvested at year-end would have been forfeited. Employment agreement benefits would not have been paid.
- (c) *Reduction in Force:* For all named officers, upfront restricted stock would have vested *pro rata* based on the number of months between the grant date and December 31, 2009. Due to the timing explained in note (b), all of the shares would have vested upon a year-end reduction in force. For Messrs. Hager and Boehm, who have deferred cash accounts but have not reached retirement age, vesting of the accounts would not have accelerated (but the accounts would eventually vest and be paid). For Messrs. McDonnell and McCullough, who have reached retirement age, vesting of deferred cash accounts would have accelerated. Stock options unvested at year-end would have been forfeited. Employment agreement benefits would have been paid as described in note (h).
- (d) *Business Unit Divestiture:* For all named officers, vesting of upfront restricted stock would have accelerated upon a year-end business unit divestiture. For Messrs. Hager and Boehm, who have deferred cash accounts but have not reached retirement age, vesting of the accounts would not have accelerated (but vesting would continue and the accounts would remain subject to forfeiture). For Messrs. McDonnell and McCullough, who have reached retirement age, vesting of deferred cash accounts would have accelerated. Stock options unvested at year-end would have been forfeited. Employment agreement benefits would have been paid as described in note (h).

- (e) *Termination Without Cause:* The upfront restricted stock would not have vested. For Messrs. Hager and Boehm, deferred cash accounts would have been forfeited. For Messrs. McDonnell and McCullough, who have reached retirement age, vesting of deferred cash accounts would have accelerated. Stock options unvested at year-end would have been forfeited. Employment agreement benefits would have been paid as described in note (h).
- (f) *Change in Control:* Upfront restricted stock would have vested *pro rata* based on the number of months between the grant date and December 31, 2009. Due to the timing explained in note (b), all of the shares would have vested upon a year-end change in control. Vesting of any deferred cash accounts would not have accelerated with the accounts continuing to vest. Only Mr. Hooley would have been entitled to special vesting of his performance-based options as a result of a change of control (provided that if the performance-based options will expire within the three-year period, then the vesting period shall be reduced so that all options vest prior to the expiration). The performance goals would no longer apply and the options would vest over three years. Because he would not have been entitled to exercise the performance-based options on December 31, 2009, we have not shown an option spread amount. Employment agreement benefits would not have been paid.
- (g) *Change in Control Followed By Termination Without Cause or Resignation for Good Reason:* Vesting of upfront restricted stock, deferred cash accounts and stock options would have accelerated. Employment agreement benefits would have been paid as described in note (j).
- (h) *Employment Agreement Separation Provisions:* The employment agreement separation period upon which these amounts are based is 24 months for Messrs. McDonnell, Hooley and McCullough, and 12 months for Mr. Hager, except that the employment agreements require the Incentive Program award to be paid only for the year in which termination occurred. For life insurance premiums, we used the 2010 rates. For health insurance premiums, we used the 2010 COBRA rates that would apply depending on the type of coverage (individual or family) the officer procured for 2009. The agreements entitle the named officers to premium gross-ups as described in note (i). We show amounts in the Severance Incentive Award row for Messrs. McDonnell, Hager, Hooley and McCullough at the award level applicable to 2009 incentives, as required by the employment agreements.
- (i) *Health and Life Insurance Premium Gross-Ups:* The estimates are based on our monthly cost of health and life insurance premiums as explained in note (h). To determine the aggregate value of the insurance coverage continuation, we multiplied the monthly health and life insurance premiums by the number of months of taxable insurance coverage continuation each named officer is entitled to under his respective employment agreement. We then calculated the additional tax gross-up payments we are obligated to make in order to put the named officer in an after-tax position as if the named officer had never received the taxable insurance coverage continuation.
- (j) *Employment Agreement Post-Change in Control Separation Provisions; Parachute Taxes.* The calculations reflect employment agreement provisions stating that the following benefits are provided subsequent to a change in control upon a termination of the named officer within three years of the change in control, either by us without cause or by the named officer for good reason. We assumed the termination of employment without cause occurred on the change in control.
- Severance Base Salary. The base salary continuation period pursuant to the employment agreements is three years from the change in control (as opposed to the shorter salary continuation pay periods reflected in note (h)). Pursuant to their employment agreements, upon their termination by us without cause or by them for good reason incident to a change in control, we are obligated to continue their salary, incentives and other benefits for a period of three years subsequent to termination of employment.

- Benefit Continuation Period. The period upon which the benefit amounts are based is three years from the change in control (as opposed to the shorter life and health insurance protection period reflected in note (h) for terminations that do not follow a change in control). Benefit continuation amounts consist of life and health insurance premiums, estimated 401(k) profit sharing contributions, and hypothetical SERP contributions. Note (h) describes the determination of the monthly life and health insurance premium amounts. Profit sharing contribution amounts are based on contributions made for 2009 as these do not vary substantially from year to year for named officers. The SERP contribution amounts are based on contribution rates similar to the rates used prior to the partial termination of the SERP in 2007, rather than the higher contribution rates resulting from partial termination of the SERP in 2007, as described on page 46.
- Severance Incentive Award. Incentive Program awards upon a termination incident to a change in control for Messrs. McDonnell and Hooley (200% of base salary incentive target), Mr. McCullough (180% of base salary incentive target), and Mr. Hager (100% of base salary incentive target) are based, as the agreements require, on the assumption that we achieved target goals for the three-year Incentive Program period.

Code Section 4999 imposes a 20% excise tax on parachute payments (“parachute tax”). The employment agreements provide that the named officers are eligible for a gross-up payment relating to the parachute tax. Any gross-up payment is intended to put the executive in the same after-tax position as if the executive had not been subject to the parachute tax. For Messrs. McDonnell, Hooley and McCullough, the potential parachute payments are generally subject to a cap equal to the largest amount that can be paid without triggering the parachute tax. If the payments are capped, there would be no parachute tax and no gross-up payment. However, if the executive would retain, after tax, more than 120% of the amount he would retain if the potential parachute payments were capped, the cap does not apply and the executive is entitled to a gross-up payment, not to exceed five times the parachute tax. If our named officers had terminated employment in connection with a change in control of the Company (either by involuntary termination or a resignation for good reason as of December 31, 2009), only Mr. Hooley would have been entitled to a gross-up payment, in the amount shown in the above table. The cap did not apply to any of the named officers, and a gross-up did not apply to Messrs. McDonnell, Hager and McCullough.

## ANNUAL MEETING MATTERS

**Quorum.** For you to approve proposals at the 2010 annual meeting, we must have a quorum. A quorum means the holders of a majority of the shares of common stock outstanding on the record date are present at the annual meeting. Proxies received but marked as abstentions or treated as broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting. Also included in the calculation of shares present are broker non-votes, which occur when a broker has not received directions from customers and does not have discretionary authority to vote the customers' shares. If a quorum is not present at the scheduled time of the meeting, the stockholders who are represented may adjourn the meeting until a quorum is present. The time and place of the adjourned meeting will be announced at the time the adjournment is taken, and no other notice will be given.

**Tabulation of Votes.** You may cast one vote for each share of DST stock you held on the record date on all proposals. You may vote cumulatively for directors. In other words, you may cast a number of votes equal to the number of shares of our common stock held on the record date multiplied by the number of directors to be elected. You may cast all such votes for a single nominee or distribute them among the nominees as you choose.

### **Votes Required for Approval.**

***Election of Directors.*** Stockholders elect directors by a plurality of the voted shares which we determine by reference to the number of votes for each nominee. For the 2010 meeting, our stockholders will elect the three nominees with the highest number of affirmative votes. You may cast your vote in favor of a director or withhold it. We disregard withheld votes in determining a plurality.

***Approval of the 2005 Equity Incentive Plan Performance Goal Provisions.*** The affirmative vote of a majority of the DST stock present and entitled to vote at the meeting is required to approve the Performance Goal Provisions. Abstentions will be treated as shares present for quorum purposes and entitled to vote, so they will have the same practical effect as votes against a proposal. Broker non-votes will be treated as shares present for quorum purposes but not entitled to vote, so they will not affect the outcome of this proposal.

***Ratification of Independent Registered Public Accounting Firm.*** The affirmative vote of a majority of the common shares present and entitled to vote at the meeting is required to ratify the Audit Committee's appointment of PricewaterhouseCoopers as our independent registered public accounting firm for 2010. Abstentions will be treated as shares present for quorum purposes and entitled to vote, so they will have the same practical effect as votes against a proposal. Broker non-votes, will be treated as shares present for quorum purposes but not entitled to vote, so they will not affect the outcome of this proposal.

**How Stockholders Vote.** Voters include recordholders, persons holding DST stock in our tax-qualified benefit plans, and investors holding DST stock through a broker or other nominee.

***Common Stock Held of Record.*** You may vote shares of record if you are present at the 2010 annual meeting either in person or through your proxy. By casting a paper, Internet or telephone vote (each of which is valid under Delaware law), you appoint our Proxy Committee as your proxy to vote your shares. Three of our officers constitute the Proxy Committee, which will vote as specified all shares of DST stock for which it is proxy. To name as proxy someone other than the Proxy Committee, please contact the Corporate Secretary at the address on page 1 for instructions. The person named as replacement proxy must attend and vote at the annual meeting. This Proxy Statement solicits, and you grant by voting, discretionary authority for the Committee to vote cumulatively for the election of directors. If you do not specify how you are voting your shares, the Proxy Committee intends to vote them for the Board nominees, for approval of the Performance Goal Provisions and for ratification of

PricewaterhouseCoopers, and in accordance with the discretion of the Proxy Committee on such other matters as properly come before the annual meeting.

**Common Stock Held Under the Plans.** If you hold shares through our benefit plans, you may, by casting a paper, Internet or telephone vote, instruct the trustee of the benefit plans how to vote the shares allocated to your accounts. The trustee will vote your shares as you instruct. For shares of DST stock not allocated to benefit plan accounts or for which it has not received instructions, the trustee must vote the shares in the same proportion as those shares for which it received instructions. The trustee may vote benefit plan shares either in person or through a proxy. The trustee intends to vote in the same manner as the Proxy Committee on any miscellaneous matters stockholders properly bring before the annual meeting.

**Common Stock Held Through a Broker or Other Nominee.** Each broker or nominee must solicit from its customers their directions on how to vote the shares the broker or nominee holds on their behalf. The broker or nominee must then vote the shares in accordance with such directions. We have requested brokers or nominees to forward soliciting materials to you. Whether brokers and nominees may vote shares when they have not received customer directions depends on our proposals and on the rules and procedures of the New York Stock Exchange. The following table shows the New York Stock Exchange rules with regard to our proposals and broker voting.

<u>Proposal</u>	<u>Broker Discretionary Voting Allowed</u>
Election of Three Directors . . . . .	No
Approval of 2005 Equity Incentive Plan Performance Goal Provisions . . . . .	Yes
Ratification of Audit Committee’s Selection of Independent Registered Accounting Firm . . . . .	Yes

**Recasting or Revoking Your Vote.** Until the polls close (or, as applicable, until the trustee, broker or nominee votes), you may recast your votes with a later-dated voting card or an Internet or telephone vote. You may revoke your vote by following the revocation procedures of the trustee, broker or nominee or, as a recordholder, by delivering your written revocation to our Corporate Secretary before the polls close during the annual meeting.

**Attendance and Voting in Person at the Annual Meeting.** Only recordholders or their properly appointed proxies, beneficial owners of DST stock who have evidence of such ownership, and our guests may attend the annual meeting. Benefit plan participants and broker customers may only vote by instructing the trustee, broker or nominee and may not cast ballots at the annual meeting unless the trustee, broker or nominee has instructed us otherwise. Recordholders who have not appointed a proxy, or who have revoked the appointment of a proxy, may cast a ballot at the annual meeting.

**General Information.** We pay the cost of the annual meeting, including the cost of mailing the proxy materials. We may ask directors, officers and employees to solicit proxies by telephone, in writing, or in person. We have retained D.F. King & Co., Inc. to assist in obtaining proxies. We expect to pay D.F. King less than \$10,000 plus expenses. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of DST stock for their expenses in forwarding this Proxy Statement, the Annual Report and other Company soliciting materials to the beneficial owners.

**Stockholder Proposals.** As a stockholder, you may submit proposals for consideration at the 2010 annual stockholders’ meeting.

**Including Stockholder Proposals in the 2011 Annual Meeting Proxy Statement.** If you desire to have a proposal included in our Proxy Statement for the 2011 annual meeting, our Corporate Secretary must

receive your proposal at the address on page 1 on or before November 22, 2010. The proposal must comply with the securities regulations and our Bylaws.

***Timely Notice of Nominations for Director and Other Stockholder Proposals.*** Our Bylaws provide that you may not make a proposal (other than a proposal requested to be included in a Proxy Statement, as noted above) unless:

- for proposals to nominate directors, you
  - timely deliver the proposal to the Governance Committee
  - own at least 1% of outstanding DST stock
- for other proposals, you timely deliver the proposal to the Corporate Secretary.

Your proposal is timely:

- if the meeting is to be held the second Tuesday in May and you deliver the proposal not less than 90 nor more than 120 days prior to the anniversary of our last annual meeting
- if the Board has publicly announced in a press release, securities filing or Company website posting that a meeting is to be held in less than 60 days and on a date other than the second Tuesday in May and you deliver the proposal no later than 15 days following the announcement and no earlier than 120 days prior to the annual meeting.

To timely submit a proposal for the 2011 annual meeting if it occurs on May 10, 2011, you must deliver it no earlier than January 11, 2011 and no later than February 10, 2011.

***Contents of Notice of Proposal.*** Your proposal must be written. The required contents depend on whether the proposal pertains to nominating a director or to other business. The Chairman of the annual meeting has the power to determine whether the proposed business is appropriate and properly brought before the meeting.

In addition to any eligibility or other information we may require, your notice pertaining to the nomination of a director shall include:

- as to your nominee:
  - name, age, business address and residence address
  - principal occupation or employment
  - class and number of shares of our capital stock that the nominee beneficially owns
  - any other information that the securities laws would require in a Proxy Statement
  - his or her signed consent to serve if elected
- your name and address
- the class and number of shares of our capital stock that you beneficially own and the name and address of record under which you own it.

In addition to any other information we may require, your notice concerning business other than nominating a director shall set forth:

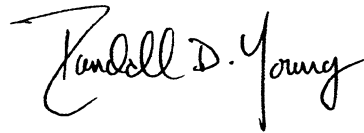
- a brief description of the business you desire to bring before the meeting and your reasons for conducting such business at the meeting
- your name and address

- the class and number of shares of capital stock that you beneficially own and the name and address of record under which you own it
- any material interest you have in such business.

**Availability of Annual Report.** The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 as filed (with only new exhibits) with the Securities and Exchange Commission includes a list of all exhibits. We will furnish copies of exhibits listed in the Form 10-K if you request them in writing from our Corporate Secretary at the address on page 1. We will ask you to pay our reasonable expenses in furnishing such exhibits. You may make such request only if you are a beneficial owner of DST stock entitled to vote at the annual meeting and you identify yourself as such. The Form 10-K, including any specific exhibits filed with it, are available at [www.dstsystems.com](http://www.dstsystems.com) and [www.sec.gov](http://www.sec.gov).

**Householding for Broker Customers.** Services that deliver materials to broker customers may deliver to multiple stockholders sharing the same address a single copy of our Form 10-K, Proxy Statement, and Notice of Internet Availability of Materials, as applicable. If you received a single copy at an address shared by other stockholders, we will promptly deliver to you upon your written or verbal request a separate copy of the documents. Please make your request in writing to our Corporate Secretary at the address on page 1 or by calling (816) 435-8655. To receive separate copies of our Form 10-K, Proxy Statement, or Notice of Availability of Internet Materials in the future from your broker or nominee, or to receive only one copy per household, please contact the bank, broker or other nominee holding your shares.

By Order of the Board,

A handwritten signature in black ink that reads "Randall D. Young". The signature is written in a cursive, flowing style.

Randall D. Young  
*Vice President, General Counsel and Secretary*

Kansas City, Missouri  
March 22, 2010

