DST SYSTEMS INC
Form 11-K
June 29, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

or

o TRANSITION REPORT PURSUANT TO SECTION 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 1-14036

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

DST SYSTEMS, INC. 401(k) PROFIT SHARING PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

DST SYSTEMS, INC.

333 West 11th Street

Kansas City, Missouri 64105

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DST Systems, Inc. 401(k) Profit Sharing Plan

Index to Financial Statements and Supplemental Information

* Other schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.

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Report of Independent Registered Public Accounting Firm

To the Participants and the Advisory Committee of the

DST Systems, Inc. 401(k) Profit Sharing Plan:

In our opinion, the accompanying statement of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the DST Systems, Inc. 401(k) Profit Sharing Plan (the Plan) at December 31, 2009 and 2008, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held At End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

Kansas City, Missouri

June 28, 2010

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DST Systems, Inc. 401(k) Profit Sharing Plan

Statement of Net Assets Available for Benefits

	December 31, 2009	December 31, 2008
ASSETS		
Investments:		
Mutual funds	$ 347,578,271	$ 242,846,411
DST common stock	18,694,229	14,634,092
Investment in master trust	337,738,905	252,310,222
Collateral held on loaned securities		12,420,928
Loans to participants	10,790,178	9,834,042
Total investments	714,801,583	532,045,695
Receivables:		
Employer	6,280,781	22,023,607
Participants	818,183	806,607
Investment income and other	196,283	289,582
Total receivables	7,295,247	23,119,796
Total assets	722,096,830	555,165,491
LIABILITIES		
Due to broker for securities purchased	1,332,414	1,230,437
Payable for collateral on loaned securities		13,850,237
Total liabilities	1,332,414	15,080,674
Net assets available for benefits	$ 720,764,416	$ 540,084,817

The accompanying notes are an integral part of these financial statements.

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DST Systems, Inc. 401(k) Profit Sharing Plan

Statement of Changes in Net Assets Available for Benefits

	Year Ended December 31, 2009	2008
Investment income (loss):		
Dividends, interest and other income	$ 6,720,426	$ 9,502,585
Net appreciation (depreciation) in fair value of investments	77,727,253	(144,205,258)
Net appreciation (depreciation) in fair value of investment in master trust	59,298,083	(118,587,719)
Total investment income (loss), net	143,745,762	(253,290,392)
Contributions:		
Employer	32,733,261	33,642,827
Participants	26,717,717	36,240,879
Total contributions	59,450,978	69,883,706
Distributions:		
Benefits to participants	(22,108,677)	(44,875,740)
Administrative expenses	(408,464)	(498,347)
Total distributions	(22,517,141)	(45,374,087)
Net change in net assets available for benefits	180,679,599	(228,780,773)
Beginning of year	540,084,817	768,865,590
End of year	$ 720,764,416	$ 540,084,817

The accompanying notes are an integral part of these financial statements.

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DST Systems, Inc. 401(k) Profit Sharing Plan

Notes to Financial Statements

1. Description of the Plan

The DST Systems, Inc. 401(k) Profit Sharing Plan (the Plan) is a contributory, defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

Argus Health Systems, Inc. (Argus) became a wholly-owned subsidiary of DST Systems, Inc. on March 31, 2009. The Plan was subsequently amended to allow employees of Argus to participate in the Plan as of January 1, 2010. On March 16, 2010, the net assets of the Argus Health Systems, Inc. 401(k) Savings Plan were merged into the Plan. The net assets transferred into the Plan were $23,227,180.

Sponsor

The Plan Sponsor is DST Systems, Inc. (DST , the Employer or the Sponsor). Certain of its subsidiaries and affiliates participate in the Plan.

Trustee and Investment Manager

The trustee of the Plan is Marshall & Ilsley Trust Company N.A. (the Trustee). The Trustee holds and administers all assets of the Plan in accordance with the provisions of the Plan agreement. Two of the Plan s investments (the Marshall Money Market Fund and the Marshall & Ilsley Collateral Pool) are managed by an affiliate of the Trustee. Transactions related to these investments, therefore, qualify as party-in-interest transactions.

A portion of the Plan s assets are invested in the DST Systems, Inc. Master Trust (Master Trust). The investment manager of Master Trust is Ruane, Cunniff, Goldfarb & Co., Inc. (the Investment Manager). For the years ended December 31, 2009 and 2008, the Sponsor incurred management fees and expenses to the Investment Manager of $3,895,619 and $4,710,344, respectively.

Administration of the Plan

An advisory committee (the Advisory Committee), which consists of members who are selected by the Board of Directors of DST, has full power, authority and responsibility to control and manage the operations and administration of the Plan. Certain administrative expenses are paid by the Sponsor. All other administrative expenses are paid by plan assets.

Eligibility

All employees of the Sponsor and participating subsidiaries and affiliates are eligible to participate in the Plan other than members of a collective bargaining unit, leased employees, nonresident aliens, and persons performing services for the Sponsor through an agreement with a third-party. The Plan entry date is the first day of the calendar month following the date an employee, other than a seasonal or temporary employee, completes one hour of service. Seasonal and temporary employees must complete one year of service, as defined in the Plan agreement, prior to entering the Plan.

Contributions

Participant contributions are made through participant salary withholdings and rollovers from other eligible retirement plans. Participants can contribute from 1% to 25% of their annual eligible compensation to the Plan, subject to Internal Revenue Service limitations (highly compensated employees   are subject to a lower limitation). Beginning in 2002, participants aged 50 or older may make additional contributions or   catch-up   contributions (subject to Internal Revenue Service limitation) once they have satisfied the annual contribution maximum as set by law or other applicable limitation.

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DST Systems, Inc. 401(k) Profit Sharing Plan

Notes to Financial Statements

Sponsor contributions consist of a dollar-for-dollar match up to 3% of the eligible wages as per the plan agreement. During the years ended December 31, 2009 and 2008, Sponsor matching contributions were $11,788,204 and $11,950,622, respectively.

In addition, the Sponsor may make discretionary profit sharing contributions. Generally, an employee must complete 1,000 hours of service during the Plan year and be employed on December 31 of the Plan year to be eligible to receive an allocation of discretionary profit sharing contributions for that year. During the years ended December 31, 2009 and 2008, Sponsor profit sharing discretionary contributions were $20,945,057 and $21,692,205, respectively.

Participant accounts

Each participant s account is credited with the participant s contributions, matching contributions, profit sharing contributions, rollover contributions, forfeitures of terminated participants non-vested accounts and an allocation of Plan earnings or losses. Allocations of earnings or losses are based on account balances. Discretionary contributions and forfeitures are allocated to participant accounts based on the proportion which the participant s eligible compensation bears to the aggregate eligible compensation of all participants for the year. The benefit to which a participant is entitled is the benefit that can be provided from the participant s account.

Vesting

Participants are always 100% vested in their own contributions, rollover contributions and catch-up contributions (as adjusted to reflect investment earnings and losses).

Generally, participants will become vested in Sponsor matching contributions and Sponsor profit sharing contributions (as adjusted to reflect investment earnings and losses) in accordance with the following schedule:

Years of Service	**Percentage Vested**
less than 2	0%
2 but less than 3	20%
3 but less than 4	40%
4 but less than 5	60%
5 or more	100%

Investment options

Participants may direct their salary reduction contributions, catch-up contributions, matching contributions and rollover contributions into a variety of mutual fund investment options as made available by the Advisory Committee or into DST Systems, Inc. common stock. The investment options contain different degrees of risks. Participants should refer to the respective fund prospectus for a more complete description of the investment objectives of each fund. The Advisory Committee reserves the right to change the available investment options from time to time.

Participants may change their investment options daily.

All profit sharing contributions are invested in the Master Trust by the Trustee as advised by the Investment Manager.

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DST Systems, Inc. 401(k) Profit Sharing Plan

Notes to Financial Statements

Forfeitures

Forfeitures of unvested accounts are generally first used for the restoration of reemployed participants forfeited amounts and allocated to the participants. The unallocated forfeitures at December 31, 2009 and 2008 were $1,043,193 and $873,941, respectively.

Distribution of benefits

Benefit distributions generally will be made in the event of retirement, death, disability, resignation or dismissal. A participant s normal retirement age is 59 ½. Active participants can elect a withdrawal of assets at the age of 59½ or older.

Unless the terminated participant otherwise elects, balances not exceeding $1,000 will be automatically distributed to the participant as a lump sum and balances ranging in value from $1,001 to $5,000 will be automatically distributed as an IRA rollover with Marshall & Ilsley Bank as soon as administratively practicable. Balances exceeding $5,000 (excluding rollover contributions and related earnings or losses) will be distributed upon participant election as soon as administratively practicable. Such distributions may be elected as a lump sum or paid in monthly, quarterly or annual installments over the life expectancy of the participant. Distributions shall be made in cash or, at the option of the participant, in cash plus the number of whole shares of DST common stock allocated to the participant s account.

Upon death, all sums credited to the participant s account will be paid to the beneficiary or beneficiaries designated by the participant.

Distributions may also be made in the event of financial hardship of the participant. Certain restrictions apply.

Participant loans

Participants may borrow the lesser of $50,000 or 50% of their vested participant-directed accounts (subject to certain Plan and Internal Revenue Service limitations). Generally, loans must be repaid within five years. Loans bear a fixed rate of interest, which is set at loan origination using the Prime rate as published in the Wall Street Journal plus 1%. At December 31, 2009 and 2008, interest rates on participant loans ranged from 4.25% to 10.5%.

Plan termination

The Sponsor believes the Plan will continue without interruption; however, it reserves the right to terminate the Plan at