DST SYSTEMS INC
Form DEF 14A
March 30, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant ý

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Check the appropriate box:

o Preliminary Proxy Statement

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

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

DST Systems, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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(1) Title of each class of securities to which transaction applies:

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(4) Proposed maximum aggregate value of transaction:

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DST SYSTEMS, INC.

NOTICE AND PROXY STATEMENT

for

Annual Meeting of Stockholders

Tuesday, May 10, 2005

YOUR VOTE IS IMPORTANT!

Please vote by telephone or the Internet as described on the Voting Card or mark, date and sign the card and promptly return it in the envelope provided.

Mailing of this Notice and Proxy Statement, the accompanying Voting Card and the 2004 Annual Report commenced on or about March 31, 2005.

DST Systems, Inc.

333 West 11th Street
Kansas City, Missouri 64105

Proxy Statement
and
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
MAY 10, 2005

You are hereby notified of and cordially invited to attend the Annual Meeting of Stockholders of DST Systems, Inc., a Delaware corporation ("DST"), to be held at DST's principal executive offices, 333 West 11th Street, 3rd Floor, Kansas City, Missouri, at 10:30 a.m., Central Time, on Tuesday, May 10, 2005, to consider and vote upon the following matters:

1. Election of Two Directors;

2. Approval of the DST Systems, Inc. 2005 Equity Incentive Plan;

3. Approval of the DST Systems, Inc. 2005 Non-Employee Directors' Award Plan;

4. Ratification of the DST Audit Committee's Selection of Independent Registered Public Accounting Firm; and

5. Consideration of such other matters which are now unknown to DST as may properly be brought before the Annual Meeting or any adjournment thereof.

The DST Board of Directors has set the close of business on March 11, 2005 as the record date for determining which stockholders are entitled to notice of and to vote at this meeting or any adjournment thereof. A list of such stockholders will be available during the Annual Meeting for examination by any stockholder for any purpose germane to the meeting and will be available during regular business hours at the above address for the 10-day period prior to the Annual Meeting.

It is important that your shares be represented at the Annual Meeting. Please vote your shares, regardless of whether you plan to attend the meeting. Unless you received the materials electronically or through a broker or other nominee, you received a Voting Card that instructs you how to vote through the Internet, by telephone or by signing and returning the card in the envelope provided, which requires no postage if mailed in the United States. If you received your materials electronically or through a broker or other nominee, please follow the instructions for voting provided. Whether you submit your vote by telephone, through the Internet, or by mail, (a) you are authorizing the Proxy Committee (and/or, if applicable, the trustee of DST Benefit Plans through which you hold shares) to vote as you specify on the proposals set forth above and in their respective discretion on other proposals properly brought before the meeting, and (b) if you hold shares on behalf of an estate or corporation, in some other legal capacity or jointly, you confirm by submitting your vote that you have the authority to vote on behalf of all owners of the shares.

Any stockholder or stockholder's representative who may need special assistance or accommodation to participate in the Annual Meeting because of a disability should contact DST's Corporate Secretary at the above address, or by phone at (816) 435-4636. To provide DST sufficient time to arrange for reasonable assistance, please submit all such requests by May 1, 2005.

By Order of the DST Board of Directors,

Randall D. Young
Vice President, General Counsel and Secretary

The date of this Notice is March 31, 2005.

DST Systems, Inc.

333 West 11th Street
Kansas City, Missouri 64105

PROXY STATEMENT

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PROXY STATEMENT

This Proxy Statement is being mailed on or about March 31, 2005, to holders at the close of business on March 11, 2005 (the "Record Date") of a total of 83,374,603 shares (the number outstanding as of the Record Date) of the common stock of DST Systems, Inc. ("DST"). The stock ("DST Common Stock") has a par value of $.01 per share and is the only outstanding class of DST voting securities. Stockholders on the Record Date are entitled to vote on the proposals to be presented by the DST Board of Directors (the "DST Board") at the 2005 Annual Meeting of Stockholders ("Annual Meeting") to be held at 10:30 a.m. Central Time, on Tuesday, May 10, 2005, at DST's principal executive offices, 333 West 11th Street, 3rd Floor, Kansas City, Missouri 64105. The DST Board is soliciting your vote on the proposals and is also furnishing you with the Annual Report to Stockholders and Form 10-K of DST for the year ended December 31, 2004 ("Annual Report").

VOTING

Proposals. At the Annual Meeting the DST Board intends to present (1) the election of two directors, (2) approval of the DST Systems, Inc. 2005 Equity Incentive Plan ("Employee Equity Incentive Plan"), (3) approval of the DST Systems, Inc. 2005 Non-Employee Directors' Award Plan ("Non-Employee Director Award Plan"), and (4) ratification of the DST Audit Committee's selection of the independent registered public accounting firm PricewaterhouseCoopers LLP ("PricewaterhouseCoopers"). The DST Board knows of no other matters that will be presented or voted on at the Annual Meeting. Stockholders do not have any dissenters' rights of appraisal in connection with the proposals.

Quorum. In order for any proposal to be approved at the Annual Meeting, a quorum of DST stockholders must be present at the meeting, either in person or through a proxy, regardless of whether such stockholders vote their shares. The presence in person or by proxy of the holders of a majority of the shares of DST Common Stock outstanding on the Record Date constitutes a quorum. All shares of DST Common Stock held through a broker or other nominee that votes at least some of the shares are generally considered present at the Annual Meeting for the purposes of establishing a quorum.

Tabulation of Votes. Each stockholder may cast one vote for each share of DST Common Stock held by such stockholder on the Record Date on all matters to be voted on at the Annual Meeting except that stockholders may vote cumulatively for directors. In other words, each stockholder may cast a number of votes equal to the number of shares of DST Common Stock held by such stockholder on the Record Date multiplied by the number of directors to be elected, and the stockholder may cast all such votes for a single nominee or distribute them among the nominees as the stockholder chooses. This Proxy Statement solicits discretionary authority to vote cumulatively for the election of directors, and the accompanying Voting Card as well as a telephone or Internet vote grants such authority. The directors are elected by a plurality of the shares voted by the stockholders. The plurality is determined by reference to the number of votes for each director nominee, and where, as here, there are two vacancies for director, the two nominees with the highest number of affirmative votes are elected. Votes respecting the election of directors may be cast in favor or withheld; votes that are withheld will be excluded entirely from the vote and will have no effect.

On each of the proposals other than the election of directors, the affirmative vote of a majority of the shares represented at the meeting in person or by proxy and entitled to vote on the subject matter is required for adoption of the proposal. The percentage of shares that have been affirmatively voted for a proposal is determined by dividing the affirmative votes by the total of the number of shares voted for the proposal, the number of shares voted against the proposal, and the number of shares abstained from voting on the proposal. In other words, abstentions will have the effect of votes against a proposal. 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) will not have the effect of votes against any of the proposals.

How Stockholders Vote. Stockholders holding DST Common Stock on the Record Date in their own names ("Record Holders"), persons who participate in certain benefit plans* of DST or its subsidiaries (the "Benefit Plans") and indirectly hold DST Common Stock on the Record Date through such plans ("Benefit Plan Participants"), and investors holding DST Common Stock on the Record Date through a broker or other nominee ("Broker Customers") may vote such stock as follows:

*The DST Systems, Inc. Employee Stock Ownership Plan ("DST ESOP") and the DST Systems, Inc. 401(k) Profit Sharing Plan ("DST 401(k)").

DST Common Stock Held of Record. Record Holders may only vote their shares of DST Common Stock if they or their proxies are present at the Annual Meeting. Record Holders, through the Voting Card or through Internet or telephone voting (each of which is valid under Delaware law), may appoint as their proxy the Proxy Committee, which consists of officers of DST whose names are listed on the Voting Card. The Proxy Committee will vote as specified by the stockholders (either on the Voting Card or through Internet or telephone voting) all shares of DST Common Stock for which it is the proxy. A Record Holder desiring to name as proxy someone other than the Proxy Committee may do so by contacting the Corporate Secretary and obtaining instructions for naming the replacement proxy. The replacement proxy must be present and vote at the Annual Meeting. If a stockholder does not specify when voting (either on the Voting Card or through Internet or telephone voting) how the shares of DST Common Stock represented thereby are to be voted, the Proxy Committee intends to vote such shares (a) for election of the persons nominated by the DST Board to be directors ("DST Board Nominees"), (b) for approval of the Employee Equity Incentive Plan, (c) for approval of the Non-Employee Director Award Plan, (d) for ratification of the DST Audit Committee's selection of PricewaterhouseCoopers for fiscal year 2005, and (e) in accordance with the discretion of the Proxy Committee upon such other matters as may properly come before the Annual Meeting.

DST Common Stock Held Under the Plans. Benefit Plan Participants may, by using the Voting Card, Internet or telephone voting, instruct the trustee of the Benefit Plans how to vote the shares allocated to the respective participant accounts. The trustee will vote all shares allocated to the accounts of Benefit Plan Participants as instructed by such participants. With respect to any shares of DST Common Stock not allocated to Benefit Plan accounts or for which Benefit Plan Participants have not given instructions to the trustee, the trustee must vote such 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 upon other matters as may properly come before the Annual Meeting.

DST Common Stock Held Through a Broker or Other Nominee. Each broker or nominee must solicit from the Broker Customers directions on how to vote the shares, and the broker or nominee must then vote such shares in accordance with such directions. Brokers or nominees are to forward soliciting materials to the Broker Customers, and, if requested, DST will reimburse their reasonable expenses in forwarding the materials. Whether brokers may vote the shares of Broker Customers when they have not received directions depends on the proposal and on the rules and procedures of the New York Stock Exchange ("NYSE"), which is the exchange that lists DST Common Stock for trading. Brokers will not have discretion to vote the shares of Broker Customers without directions on proposals to approve the Employee Equity Incentive Plan and the Non-Employee Director Award Plan. They are expected to have discretion to vote such shares on the proposal to elect directors and to ratify the DST Audit Committee's selection of PricewaterhouseCoopers.

Revoking Proxy Authorizations or Instructions. Until the polls close (or, in the case of Benefit Plan Participants, until the trustee of the Benefit Plans votes), votes of Record Holders and instructions of Benefit Plan Participants to the Benefit Plan trustee and of Broker Customers to brokers or nominees may be recast (a) by an Internet or telephone vote subsequent to the date shown on a previously executed and delivered Voting Card or to the date of a prior Internet or telephone vote or (b) with a later-dated, properly executed and delivered Voting Card. Otherwise, stockholders may not revoke their votes, even by attending the Annual Meeting, unless (a) for Record Holders, they deliver written revocation to the Corporate Secretary of DST at any time before the Chairman of the Annual Meeting closes the polls; (b) for Benefit Plan Participants, they follow the revocation procedures of the trustee; or (c) for Broker Customers, they follow the revocation procedures of the broker or nominee.

Attendance and Voting in Person at the Annual Meeting. Attendance at the Annual Meeting is limited to Record Holders or their properly appointed proxies, beneficial owners of DST Common Stock having evidence of such ownership, and guests of DST. Benefit Plan Participants and Broker Customers, absent special direction to DST from the trustee, broker or nominee, may only vote by instructing the trustee, broker or nominee and may not cast a ballot at the Annual Meeting. Record Holders who have not appointed a proxy, or who have revoked the appointment of a proxy, may vote by casting a ballot at the Annual Meeting.

PRINCIPAL STOCKHOLDERS AND STOCKHOLDINGS OF MANAGEMENT

As of the Record Date, DST had outstanding 83,374,603 shares of DST Common Stock. DST's outstanding share number was substantially reduced in late 2003 when DST retired 32,300,000 shares of DST Common Stock in connection with the financing of a shareholder approved share exchange transaction with Janus Capital Group Inc. (the "Janus Transaction"). DST completed such transaction, which is described in the Annual Report, on December 1, 2003.

The following table sets forth information as of the Record Date concerning the beneficial ownership of DST Common Stock by: (i) stockholders who have publicly filed a report acknowledging ownership of more than 5% of the outstanding DST Common Stock; (ii) the directors and certain executive officers of DST; and (iii) all of DST's executive officers and directors as a group. Except as otherwise noted, the holders have sole power to vote and dispose of the shares. For purposes of incorporating a DST subsidiary in a foreign country, each of several DST executive officers holds a single share of such subsidiary's stock. Such holdings constitute less than 1% of the subsidiary's stock. No officer or director of DST owns any equity securities of any other subsidiary of DST.

Name and Address	**Shares of DST Common Stock(1)**	**Percent of Class(2)**
George L. Argyros(3)	9,593,488	11.5
FMR Corp., Fidelity Management & Research Company, Fidelity Management Trust Company, Strategic Advisors, Inc., Fidelity International Limited, Edward C. Johnson III and members of the Johnson family(4)	7,241,788	8.7
Massachusetts Financial Services Company ("MFS")(5)	5,371,313	6.4
Marshall & Ilsley Corporation ("M&I"), parent of Benefit Plans trustee(6)	4,700,344	5.6
A. Edward Allinson(7) DST Director	100,007	*
Michael G. Fitt(8) DST Director	88,750	*
Donald J. Kenney(9) President and Chief Executive Officer ("CEO") of EquiServe, Inc. ("EquiServe")(10)	265,245	*
Thomas A. McCullough(11) Executive Vice President and Chief Operating Officer ("COO") of DST, DST Director	982,804	1.2
Thomas A. McDonnell(12) President and CEO of DST, DST Director	2,389,051	2.8
William C. Nelson(13) DST Director	68,705	*
Travis E. Reed(14) DST Director	20,635	*
M. Jeannine Strandjord(15) DST Director	77,356	*
Steven J. Towle(16) President and CEO of DST Output, LLC ("DST Output")(17)	160,901	*
J. Michael Winn(18) Group Chief Executive of DST International Group Services Limited ("DSTi")(19)	366,268	*
All Executive Officers and Directors as a Group (15 Persons)(20)	6,216,539	7.1

* Less than 1% of the outstanding DST Common Stock.

(1)

Pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), share amounts shown for DST's executive officers and directors include shares of DST Common Stock they may acquire upon the exercise of options which are exercisable at the Record Date or will become exercisable within 60 days of such date and shares of DST Common Stock they hold indirectly under the Benefit Plans or otherwise. An executive officer has disclaimed beneficial ownership of certain shares owned by a family member. The amounts shown do not include shares of DST Common Stock to be issued at a future date under the DST Systems, Inc. 1995 Stock Option and Performance Award Plan as deferred compensation ("Adjustment Awards") in connection with an elimination made for accounting reasons of the "reload feature" of certain options to purchase DST Common Stock. The reload feature had caused replacement options to be granted as the result of any option exercise (i) in which the purchase price of the underlying options was paid through the surrender of DST Common Stock, and (ii) at the time of which certain conditions had occurred including a certain level of increase in the fair market value of DST Common Stock over the underlying purchase price. Except for earlier incremental issuances to certain DST executive officers and early issuances that will occur if certain conditions (such as a grantee's continued service for a minimum period) are met, DST Common Stock in connection with the Adjustment Awards will issue November 28, 2011 with DST having at the time of issuance a right (but not an obligation) to purchase each share of such stock for $37.25. The Adjustment Award is subject to forfeiture upon certain limited events. For each person named in the table above, the number of shares of DST Common Stock yet to be received as Adjustment Awards is shown in the footnotes below.

(2)

The percentage for each person or group is based on the number of shares outstanding as of the Record Date plus securities of such stockholder(s) deemed outstanding pursuant to Rule 13d-3(d)(1) under the Exchange Act.

(3)

Mr. Argyros formerly served as a DST director. Mr. Argyros' address is c/o Arnel Development Company, 949 South Coast Drive, Suite 600, Costa Mesa, California 92626. Information with respect to Mr. Argyros and his beneficial ownership is based on Amendment No. 1 filed on March 18, 2004 to Schedule 13D. Mr. Argyros reports sole power to vote or direct the voting and sole power to dispose or direct disposition of the DST Common Stock. The shares consist of 4,679,150 shares held by Mr. Argyros, 900 shares held by the Leon & Olga Argyros 1986 Trust of which Mr. Argyros is a trustee, 536,502 shares held by the Argyros Foundation of which Mr. Argyros is Chairman, 93,760 shares held by the Argyros' Children's Trust II which is for the benefit of certain immediate family members of Mr. Argyros and of which Mr. Argyros is trustee, 215 shares held by the George T. Poulos Trust of which Mr. Argyros is the trustee, 20,275 shares held by Argyros Family Partners which is 1% owned by a corporation that serves as the general partner and in which Mr. Argyros is a majority stockholder, 3,903,004 shares held by HBI Financial, Inc. of which Mr. Argyros is sole shareholder, 357,996 shares held by SVI, Inc. which is a wholly-owned subsidiary of HBI Financial, Inc., and 1,686 shares held by GLA Financial Corporation of which Mr. Argyros is sole shareholder. Mr. Argyros disclaims beneficial ownership of the shares held by the Argyros Foundation, the Leon & Olga Argyros 1986 Trust, the Argyros Children's Trust II, Argyros Family Partners, and the George T. Poulos Trust.

(4)

FMR Corp. ("FMR") and its wholly-owned subsidiaries Fidelity Management and Research Company, an investment adviser ("FMRC"), Fidelity Management Trust Company, a bank ("FMTC"), and Strategic Advisers, Inc., an investment adviser ("SAI") are located at 82 Devonshire Street, Boston, Massachusetts 02109. Fidelity International Limited, an investment adviser to non-US investment companies and certain institutional investors ("FIL"), is located at Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda. FIL was previously a majority owned subsidiary of FMRC, but on June 30, 1980, the shares of FIL were distributed to the shareholders of FMR. Information with respect to these entities and their beneficial ownership is based on Amendment No. 1 dated February 14, 2005 to Schedule 13G. Such amendment shows FMRC as beneficially owning DST Common Stock resulting from an assumed conversion into DST Common Stock of certain convertible senior debentures DST issued in August 2003. A conversion would occur only in the event of circumstances described in the Annual Report. Not accounting for such conversion, FMRC beneficially owns 4,230,290 shares of DST Common Stock as a result of acting as an investment adviser to various investment companies, and Mr. Johnson and FMR, through control of FMRC, each have sole power to dispose (but not to vote or direct voting) of the shares. FMTC beneficially owns 1,021,280 shares of DST Common Stock as a result of serving as investment manager of institutional accounts, and Mr. Johnson and FMR, through control of FMTC, each have sole power to dispose or direct disposal of the shares, to vote or direct voting of 918,180 shares, and no power to vote or direct voting of 103,100 shares. FMR's beneficial ownership includes 200 shares of DST Common Stock beneficially owned through SAI. FIL beneficially owns and has the sole power to dispose of and to vote 1,342,150 shares. Members of the Edward C. Johnson 3d family own Class B common stock of FMR representing approximately 49% of the voting power of FMR. Mr. Johnson is Chairman of FMR and Abigail P. Johnson is a director of FMR. The Johnson family group and all other Class B shareholders of FMR have entered into a voting agreement under which all Class B shares will be voted in accordance with the majority vote of Class B shares. Accordingly, through their ownership of voting common stock and the execution of the voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR. FMR and FIL are of the view that they are not acting as a group and are not otherwise required to attribute to each other the beneficial ownership of securities beneficially owned by the other. FMR states that it made the filing on a voluntary basis as if all of the shares of DST Common Stock are beneficially owned by FMR and FIL on a joint basis.

(5)

MFS is located at 500 Boylston Street, Boston, Massachusetts 02116. Information with respect to MFS and its beneficial ownership is based on a Schedule 13G dated February 8, 2005. MFS has sole dispositive power over the shares and sole voting power over 4,515,245 shares.

(6)

M&I is located at 770 North Water Street, Milwaukee, Wisconsin 53202. Information with respect to M&I and its beneficial ownership is based on a Schedule 13G dated February 11, 2005. M&I has the sole power to vote or direct voting, but disclaims beneficial ownership, of 4,699,718 shares and the sole power to dispose or direct disposal of 626 shares. The 4,699,718 shares are held in one or more employee benefit plans where Marshall and Ilsley Trust Company N.A., as custodian, may be viewed as having voting or dispositive authority in certain situations. M&I is the parent holding company of Marshall & Ilsley Trust Company N.A.

(7)

Mr. Allinson's beneficial ownership includes 53,450 shares that may be acquired through options that are exercisable or will become exercisable within 60 days of the Record Date. Mr. Allinson has a right to receive 1,984 shares as an Adjustment Award no earlier than November 28, 2006.

(8)

Mr. Fitt's beneficial ownership includes 55,290 shares that may be acquired through options that are exercisable or will become exercisable within 60 days of the Record Date and 28,075 shares held in a trust. Mr. Fitt has a right to receive 1,599 shares as an Adjustment Award no earlier than November 28, 2006.

(9)

Mr. Kenney's beneficial ownership includes 250,000 shares that may be acquired through options that are exercisable or will become exercisable within 60 days of the Record Date. Mr. Kenney has a right to receive a total of 5,714 shares as an Adjustment Award in four installments to occur November 28, 2005, 2006, 2007, and 2008.

(10)

EquiServe is a wholly-owned DST subsidiary. DST announced on October 20, 2004, that it signed a definitive agreement for Computershare Ltd. to acquire EquiServe ("Computershare Transaction"). As of the Record Date, the Computershare Transaction had not closed.

(11)

Mr. McCullough's beneficial ownership includes 531,151 shares that may be acquired through options that are exercisable or will become exercisable within 60 days of the Record Date. Mr. McCullough has a right to receive a total of 20,109 shares as an Adjustment Award in four installments to occur November 28, 2005, 2006, 2007, and 2008.

(12)

Mr. McDonnell's beneficial ownership includes 1,532,792 shares that may be acquired through options that are exercisable or will become exercisable within 60 days of the Record Date and 43,641 shares allocated to his account in the DST ESOP. Mr. McDonnell has a right to receive a total of 36,057 shares as an Adjustment Award in four installments to occur November 28, 2005, 2006, 2007, and 2008.

(13)

Mr. Nelson's beneficial ownership includes 49,674 shares that may be acquired through options that are exercisable or will become exercisable within 60 days of the Record Date and 200 shares held in an

individual retirement account. Mr. Nelson has a right to receive 1,131 shares as an Adjustment Award no earlier than November 28, 2006.

(14)
Mr. Reed's beneficial ownership includes 13,750 shares that may be acquired through options that are exercisable or will become exercisable within 60 days of the Record Date and 7,314 shares held in a trust. Mr. Reed has a right to receive 429 shares as an Adjustment Award no earlier than November 28, 2006.

(15)
Ms. Strandjord's beneficial ownership includes 47,980 shares that may be acquired through options that are exercisable or will become exercisable within 60 days of the Record Date and 1,000 shares held in a trust. Ms. Strandjord has a right to receive 1,540 shares as an Adjustment Award no earlier than November 28, 2006.

(16)
Mr. Towle's beneficial ownership includes 58,606 shares that may be acquired through options that are exercisable or will become exercisable within 60 days of the Record Date. Mr. Towle has a right to receive a total of 586 shares as an Adjustment Award in four installments to occur November 28, 2005, 2006, 2007, and 2008.

(17)
DST Output is a wholly-owned DST subsidiary.

(18)
Mr. Winn's beneficial ownership includes 290,000 shares that may be acquired through options that are exercisable within 60 days of the Record Date. Mr. Winn has a right to receive a total of 5,257 shares as an Adjustment Award in four installments to occur November 28, 2005, 2006, 2007, and 2008.

(19)
DSTi is a wholly-owned DST subsidiary.

(20)
The beneficial ownership of all executive officers and directors as a group includes 3,936,631 shares that may be acquired by the executive officers and directors through options that are exercisable or will become exercisable within 60 days of the Record Date. It also includes 111,386 shares allocated to the DST ESOP accounts of executive officers and the spouse of an executive officer and 32,854 shares otherwise held indirectly. An individual in the group has disclaimed beneficial ownership as to a total of 5,761 of the shares. The executive officers and directors as a group have rights over varying applicable periods to receive 101,506 shares as Adjustment Awards.

PROPOSAL 1
ELECTION OF TWO DIRECTORS

We are requesting our stockholders to elect two DST Board Nominees to serve on the DST Board. The DST Board Nominees would serve for a three-year term expiring in 2008 or until their successors are elected and qualified. The DST Board Nominees are current directors whose terms expire at the Annual Meeting, have consented to being named as nominees herein, and have indicated they are willing and able to continue serving as directors if elected. They are:

Thomas A. McDonnell, age 59. Mr. McDonnell has served DST as a director since 1971, as CEO since October 1984, and as President since January 1973 (except for a 30-month period from October 1984 to April 1987). He served as Treasurer from February 1973 to September 1995 and as Vice Chairman of the DST Board from June 1984 to September 1995. He is a director of Blue Valley Ban Corp., Commerce Bancshares, Inc, Euronet Worldwide, Inc. ("Euronet"), Garmin Ltd., and Kansas City Southern.

M. Jeannine Strandjord, age 59. Ms. Strandjord has served DST as a director since January 1996. Since January 1, 2005, she has served Sprint Corporation, a telecommunications company ("Sprint"), as Senior Vice President Transformation and Process Excellence. Prior to holding such office, she served Sprint from September 15, 2003 as Senior Vice President and Chief Integration Officer; between January 1, 2003 and September 15, 2003 as Senior Vice President of Financial Services; between November 1998 and December 2002 as Senior Vice President of Finance for Sprint's Global Markets Group; and from 1990 to November 1998 as Senior Vice President and Treasurer. Prior to 1990, she served in other capacities for a predecessor to Sprint and for a Sprint subsidiary. She is a director of Euronet and six registered investment companies which are part of American Century Funds.

The DST By-laws classify the DST Board into three classes and stagger the three-year terms of each class to expire in consecutive years. The term of office of one class of directors expires each year in rotation so that at each annual meeting of stockholders one class is up for election for a full three-year term.

If any of the DST Board Nominees should for any reason become unavailable for election, the Proxy Committee will vote for such other nominee as may be proposed by the Corporate Governance/Nominating Committee of the DST Board (the "DST Governance Committee") or, alternatively, the DST Board may reduce the number of directors to be elected at the meeting.

THE DST BOARD RECOMMENDS THAT YOU VOTE "FOR"
THE BOARD NOMINEES

PROPOSAL 2
APPROVAL OF THE EMPLOYEE EQUITY INCENTIVE PLAN

We are requesting our stockholders to vote in favor of adopting the Employee Equity Incentive Plan (referred to in this proposal as the "Plan") which was recommended by the Compensation Committee of the DST Board (the "DST Compensation Committee" or the "Committee") and approved by the DST Board on March 2, 2005, subject to stockholder approval. If adopted, the Plan will replace the DST Systems, Inc. 1995 Stock Option and Performance Award Plan ("1995 Plan"). The description of certain major features of the Plan is subject to the specific provisions in the full text of the Plan, which is attached as Exhibit I. If approved, the Plan will take effect on the Annual Meeting date, May 10, 2005. The DST Board, subject to stockholder approval, has adopted a separate equity-based compensation plan for members of the DST Board who are not employed by DST or any DST affiliate ("Non-Employee Directors"). (See Proposal 3.)

Objectives. Approval of the Plan is intended to allow us to achieve the following objectives:

Motivate and incentivize employees. The Plan should generate an increased incentive for our employees and consultants to contribute to our future success, secure for us and our stockholders the benefits inherent in equity ownership by employees, and enhance our ability to attract and retain exceptionally qualified employees on whom, in large measure, our sustained progress, growth and profitability depend.

Align employee and stockholder interests. By encouraging stock ownership by employees, we intend to more closely align the interests of our employees, management and stockholders and to motivate employees to enhance the value of DST for the benefit of all stockholders.

Consolidate the employment anniversary service award plan and the annual incentive award program with the Plan. The DST Systems, Inc. 1991 Stock Bonus Plan ("1991 Anniversary Plan"), under which employees automatically received modest stock awards every five years on their employment anniversary dates ("Anniversary Service Awards"), has been incorporated into the Plan. In addition, to provide greater transparency to our stockholders, we have incorporated the general terms of our annual incentive award program into the Plan.

Cover Non-Employee Directors in a separate plan. By creating a separate plan for Non-Employee Directors, we have reduced the appearance of a potential conflict of interest for such directors in the exercise of their business judgment with respect to employees.

Retain the ability to use different types of equity incentive awards. For a number of years, stock options were our primary form of equity-based compensation. In light of the anticipated changes in option accounting, beginning in 2004 the Committee made restricted stock the primary form of equity-based incentive. The Committee intends to continue to use restricted stock as the primary form of equity incentive compensation but may use other forms of compensation as it believes appropriate to attract, retain and motivate employees. To maintain flexibility, the Plan permits awards to be made in the form of the various award types listed in Key Plan Provisions below.

Maintain the ability to offer stock-based incentive compensation to a key group of employees in accordance with the Committee's compensation principles. The 1995 plan currently authorizes 30,000,000 shares. We are seeking authorization of a much smaller number of shares under the Employee Equity Incentive Plan (4,000,000 shares; see Key Provisions below). The smaller number of shares results from changes in equity compensation practices, as discussed in the DST Compensation Committee Report on Executive Compensation ("Compensation Report"). Such changes include switching from stock options to restricted stock as the primary form of annual equity compensation for the five-year period of 2005 through 2009. The Compensation Report explains why the Committee believes this approach will benefit DST and its shareholders. As explained in the Compensation Report, an upfront grant of restricted stock for such period has already occurred under the 1995 Plan.

Implement emerging best practices in compensation and corporate governance. The Plan prohibits stock option repricing without stockholder approval. It also prohibits reload options and discount prices on stock options (except those granted as substitute awards where needed to preserve economic value). If approved, Non-Employee Directors will no longer be eligible for awards under the same plan as employees. A change in control is triggered by consummation of certain corporate transactions, rather than by stockholder approval of the transactions. These provisions are consistent with implementing emerging best practices in compensation and corporate governance.

Importance of the Proposal. The 1995 Plan expires August 31, 2005. If stockholders do not approve the Employee Equity Incentive Plan, no replacement Plan will be in place under which the Committee can (i) issue equity awards in connection with potential acquisitions or as part of new hire, promotion, incentive or other equity grants to attract and retain qualified employees, and (ii) further align the interests of employees, management and stockholders by motivating employees, through stock ownership, to enhance the value of DST Common Stock. Approval of the Plan is also important because, without it, performance-based awards, whether paid in cash or equity, would not qualify for the exception to the deductibility limit set forth in Section 162(m) of the Internal Revenue Code, which exception is explained in the Compensation Report.

Key Plan Provisions

Plan term:	May 10, 2005 through May 9, 2015
Eligible participants:	Employees, consultants, and individuals expected to become employees of DST or an affiliate.
Shares authorized:	4,000,000 plus shares remaining under the 1995 Plan (approximately 238,289 as of the Record Date) plus shares forfeited, lapsed, etc. without exercise, plus any shares required to satisfy substitute awards, all subject to adjustment for stock splits, the effects of corporate transactions, and other significant events.
Award Types:	Shares Dividend Equivalents Annual Incentive Awards Options (non-qualified and incentive stock options) Stock Appreciation Rights Limited Stock Appreciation Rights Restricted Stock Performance Units Restricted Stock Units and Deferred Stock Anniversary Service Awards Substitute Awards

Grant price:	The exercise price of options and the strike price for stock appreciation rights will be no less than the average of the high and low trading prices of DST Common Stock on the NYSE on the grant date.
Individual limits:	The maximum number of shares with respect to which an individual may be granted awards in one year is 800,000. The maximum cash award payout for which an individual may be granted an award in any year is 600% of his or her base salary (up to $1,000,000 of base salary). These amounts are higher than we expect awards to be and are included in the Plan to comply with the requirements for deductibility of awards to certain executive officers under Section 162(m) of the Internal Revenue Code.
Vesting:	Determined by the Committee at the time of grant, except that time-based restrictions on restricted stock shall remain in effect at least until the third anniversary of the grant date (subject to acceleration if the Committee allows in the event of death, disability, change in control, constructive termination of employment or termination of employment by DST other than for cause).
Deferrals:	Grantees may elect to or may be required to defer receipt of cash awards or delivery of stock awards on terms and conditions established by the Committee.
Effect of Change in Control:	Unless otherwise provided in an agreement governing an award made under the Plan, all awards other than service awards become fully vested on a change in control. In addition, if there is a change in control, the 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 by the survivor or a substitute award to be granted by the survivor.
Change in Control Definition:	A change in control of DST will occur if any of the following takes place: incumbent directors (as defined in the Plan) are less than 75% of the DST Board, consummation of a merger, sale of all or substantially all the assets, or other reorganization transaction unless DST stockholders hold at least 60% of the voting power of the surviving entity immediately after the transaction, any person or group (as defined in the Plan) becomes the beneficial owner (as defined in the Plan) of 20% or more of the voting power of DST voting securities, or Stockholders approve a plan of complete liquidation of DST, other than in connection with a reorganization transaction.

Administration. The Committee, which is made up entirely of independent directors, or another committee of the DST Board that meets specified independence criteria, will administer the Plan. The Committee may interpret and administer the Plan, establish, amend, suspend or waive any rules relating to the Plan, and 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.

Eligibility. An individual who is eligible for a Plan award is someone other than a Non-Employee Director who is an employee or prospective employee or a consultant to DST or an affiliate. Persons subject to potential liability under Section 16(b) of the Exchange Act ("Section 16 Persons") do not receive any awards (including Anniversary Service Awards) without the Committee specifically selecting them as grantees. Anniversary Service Awards to a person other than a Section 16 Person are granted automatically every fifth anniversary of the employee's hire. As of the Record Date (and excluding employees of EquiServe, which will no longer be a DST subsidiary upon closing of the Computershare Transaction), approximately 9,600 employees were regularly employed more than 20 hours per week and more than five months per year and therefore eligible to receive Anniversary Service Awards and approximately 1,000 employees were at management levels eligible to receive other types of awards under the Plan.

Performance Criteria. The Compensation Report explains certain Internal Revenue Code deduction limitations under Section 162(m) of the Internal Revenue Code. For awards intended to satisfy the performance-based compensation exception to those limitations, the performance criteria will be selected from among the following, which may be applied to DST as a whole, to an individual recipient, or to a department, unit, division or function within DST or an affiliate, and they may apply on a pre- or post-tax basis, either alone or relative to the performance of other businesses or individuals (including industry or general market indices):

a. Earnings (either in the aggregate or on a per share basis);

b. Growth or rate of growth in earnings (either in the aggregate or on a per share basis);

c. Net income or loss (either in the aggregate or on a per share basis);

d. Cash flow provided by operations, either in the aggregate or on a per share basis;

e. Growth or rate of growth in cash flow, either in the aggregate or on a per share basis;

f. Free cash flow, either in the aggregate or on a per share basis;

g. Reductions in expense levels, determined either on a DST-wide basis or in respect of any one or more business units;

h. Operating and maintenance cost management and employee productivity;

i. Stockholder returns (including return on assets, investments, equity, or gross sales);

j. Return measures (including return on assets, equity, or sales);

k. Growth or rate of growth in return measures (including return on assets, equity, or sales);

l. Share price (including attainment of a specified per share price during the performance period; growth measures and total stockholder return or attainment by the shares of a specified price for a specified period of time);

m. Strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market share, market penetration, geographic business expansion goals, objectively identified project milestones, production volume levels, cost targets, and goals relating to acquisitions or divestitures; and/or

n. Achievement of business or operational goals such as market share and/or business development.

The Committee may adjust any award downward in its discretion. In addition, the Committee may include or exclude items to measure specific objectives, such as losses from discontinued operations, extraordinary gains or losses, the cumulative effect of accounting changes, acquisitions or divestitures, foreign exchange impacts and any unusual non-recurring gain or loss. Performance-based awards may be paid in cash, shares, or the equivalent value in any other form of award allowed in the Plan, or any combination thereof, as determined by the Committee.

Awards. Subject to Plan limits, the Committee determines the size of awards. The Committee may grant shares of DST Common Stock, dividend equivalents 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, target 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 is made.

Options. Options may be granted by the Committee and may be either non-qualified options or 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 (and incentive stock options are subject to further statutory restrictions that are 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 Common 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 Common Stock or restricted DST Common Stock.

Stock Appreciation Rights. A stock appreciation right may be granted either alone or in addition to other awards granted under the Plan and may not relate to a specific option. Subject to the terms of the Plan, a grantee of a stock appreciation right will have the right to receive upon exercise thereof an amount equal to the excess of the fair market value of one share of DST Common Stock on the date of exercise, or (except with respect to an incentive stock option) at any time during a specified period before or after the date of exercise as determined by the Committee, over the strike price of the stock appreciation right, multiplied by the number of shares of DST Common Stock with respect to which the stock appreciation right is being exercised. Payment may be made in cash, DST Common Stock, or other property, in any combination. The Committee may provide that payment with respect to an exercised stock appreciation right may occur on a fixed date which may not be the same as the exercise date, and may provide for additional payment in recognition of the time value of money and the delay between the exercise date and the payment date.

Limited Stock Appreciation Rights. Limited stock appreciation rights may be granted only with respect to an option. Subject to the terms of the Plan, the grantee of a limited stock appreciation right will have the right to receive upon exercise an amount equal to the excess of the fair market value of one share of DST Common Stock on the date of exercise (or, if greater, the highest price per share of DST Common Stock paid in connection with any change in control) over the option price of the related option, multiplied by the number of shares as to which the limited stock appreciation right is exercised. Limited stock appreciation rights are exercisable only to the extent the related option is exercisable and only during the three-month period immediately following a change in control.

Restricted Stock. Restricted stock is DST Common 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 may not lapse entirely prior to the third anniversary of the grant date except for death, disability, change in control, or certain involuntary terminations of employment.

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. The Committee may also grant dividend equivalents with respect to stock-based performance units.

Restricted Stock Units and Deferred Stock. A restricted stock unit is the right to receive a share of DST Common 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 Common Stock at the end of a specified deferral period. Restricted stock units and deferred stock may be granted by the Committee on a stand-alone basis or may be granted pursuant to the election of a grantee to defer payment or distribution of the award. Time-based restrictions may lapse over time, but may not lapse entirely prior to the third anniversary of the grant date except for death, disability, change in control, or certain involuntary terminations of employment.

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. 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 CEO 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 Section 16 Persons. Such awards are accompanied by a cash payment (a gross-up) intended to be applied toward applicable taxes on the service awards.

Substitute Awards. Substitute awards may be granted by the Committee 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 order to preserve the economic value of all or a portion of the replaced award, on such terms and conditions (including price) as the Committee determines.

Transferability. Unless otherwise determined by the Committee, awards granted under the Plan are not transferable except by will or the laws of descent and distribution. The Committee will have sole discretion to permit the transfer of an award to certain family members specified in the Plan.

Amendments. The DST Board may amend or terminate the Plan, without stockholder approval unless stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange on which DST Common 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.

Adjustments. In the event a stock dividend, stock split, reorganization, recapitalization, spin-off, or other similar event affects shares such that the Committee determines an adjustment to be appropriate to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee may (among other actions and subject to certain exceptions) adjust the number and type of shares available under the Plan, the number and type of shares subject to outstanding awards and the exercise price of outstanding stock options and other awards.

New Plan Benefits. DST cannot determine the amounts of awards that will be granted under the Plan or the benefits of any awards to the executive officers named in the Summary Compensation Table, the executive officers as a group, or employees who are not executive officers as a group. Under the terms of the Plan, the number of awards to be granted is within the discretion of the Committee.

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 fair market value on the date of exercise of the stock acquired on exercise and the option exercise price, and DST 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 DST 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 the shares were acquired by exercising an incentive stock option or a non-qualified stock option. Generally, there will be no tax consequences to DST in connection with a disposition of shares acquired on exercise of an option, except that DST 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 Common 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 the manner discussed above. 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 Section 83(b) of the Internal Revenue Code 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. DST is entitled to a deduction (subject to the limitations of Section 162(m) of the Internal Revenue Code unless the restricted stock qualifies as "performance based compensation") at the time and in the amount the recipient recognizes as income.

Generally, no taxes are due when an award of restricted stock units is made, but the award becomes taxable when it vests. In addition, DST is entitled to a deduction at the time and in the amount the recipient recognizes income. In the case of an award of restricted stock units, a recipient may not make a Section 83(b) election. Rules relating to the timing of payment of deferred compensation under Section 409A of the Internal Revenue Code are applicable to restricted stock units and any violation of 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 Section 162(m) of the Internal Revenue Code) at the time and in the amount the recipient recognizes as income.

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

Awards granted under the Plan may qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code in order to preserve federal income tax deductions by DST with respect to annual compensation required to be taken into account under Section 162(m) that is paid to DST's five most highly compensated executive officers. To so qualify, options, restricted stock, and other awards must be granted under the Plan by a committee consisting solely of two or more "Non-Employee Directors" (as defined under 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 criteria described above.

**THE DST BOARD RECOMMENDS THAT YOU VOTE "FOR"
THE EMPLOYEE EQUITY INCENTIVE PLAN**

PROPOSAL 3
APPROVAL OF THE NON-EMPLOYEE DIRECTOR AWARD PLAN

We are requesting our stockholders to vote in favor of adopting the Non-Employee Director Award Plan (referred to in this proposal as the "Plan") which was recommended and approved by the full DST Board on March 2, 2005, subject to stockholder approval. If adopted, the Plan will replace the component of the 1995 Plan that provided for equity awards to Non-Employee Directors. The Plan will be the sole plan for providing equity-based compensation for Non-Employee Directors. The DST Board, subject to stockholder approval, has adopted a separate plan for equity-based compensation of our employees. (See Proposal 2.) The description of certain major features of the Plan is subject to the specific provisions in the full text of the Plan, which is attached as Exhibit II. If approved, the Plan will take effect May 10, 2005.

Objectives. Approval of the Plan is intended to allow us to achieve the following objectives:

Align Non-Employee Director and stockholder interests. By encouraging stock ownership by Non-Employee Directors, we intend to more closely align the interests of our Non-Employee Directors and stockholders and to motivate such directors to enhance the value of DST for the benefit of all stockholders.

Separately cover Non-Employee Directors. The separate Plan reduces the appearance of potential conflicts of interest for directors in exercising their business judgment with respect to awards of equity compensation to DST employees and management.

Retain the ability to use different types of equity incentive awards. Restricted stock is our current form of equity-based compensation for directors. However, the Board may use other forms of compensation as it determines appropriate to attract and retain qualified Non-Employee Directors. To maintain flexibility, the Plan permits awards to be made in the form of the award types listed in Key Plan Provisions below. Additionally, flexibility is maintained in the Plan by not providing for automatic grants within the Plan itself, but instead requiring the full DST Board to review and assess the appropriate forms and amounts of equity-based compensation that should be awarded within the limits of the Plan.

Implement emerging best practices in compensation and corporate governance. If approved, Non-Employee Directors will no longer be eligible for awards under the same plan as employees. The Plan prohibits (i) stock option repricing without stockholder approval and (ii) reload options and discount prices on stock options (except those granted as substitute awards where needed to preserve economic value).

Importance of the Proposal. The 1995 Plan expires August 31, 2005. If stockholders do not approve the Plan, no replacement Plan will be in place under which Non-Employee Directors can receive DST Common Stock. This may compromise DST's ability to attract and retain qualified directors. DST would not have an equity mechanism through which to align the interests of Non-Employee Directors and stockholders through Non-Employee Director ownership of DST Common Stock.

Key Plan Provisions

Plan term:	May 10, 2005 through May 9, 2015
Eligible participants:	Non-Employee Directors
Shares authorized:	300,000 plus shares forfeited, lapsed, etc. without exercise, plus any shares required to satisfy substitute awards, all subject to adjustment for stock splits, the effects of corporate transactions, and other significant events.

Award Types:	Shares Dividend Equivalents Options (non-qualified stock options) Restricted Stock Restricted Stock Units Deferred Stock Substitute Awards
Grant price:	The exercise price of options will be no less than the average of the high and low trading prices of DST Common Stock on the grant date.
Vesting:	Determined by the full DST Board at the time of grant, except that time-based restrictions on restricted stock shall remain in effect at least until the third anniversary of the grant date with accelerated vesting in certain limited circumstances.
Deferrals:	Grantees may elect to defer receipt of director fees or delivery of stock awards on terms and conditions established by the DST Board.

Administration. The full DST Board will administer the Plan, provided that any determination under the Plan with respect to a particular Non-Employee Director will be determined by a vote of the majority of the members of the DST Board excluding such Non-Employee Director. The DST Board may interpret and administer the Plan, establish, amend, suspend or waive any rules relating to the Plan, and 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 DST Board are final, conclusive and binding. All determinations of the DST Board shall be made by a majority of its members, excluding any director with respect to whom the determination is being made.

Eligibility. Only Non-Employee Directors of DST are eligible for awards under the Plan.

Awards. Subject to Plan limits, the DST Board determines the size of awards. Non-Employee Directors may receive shares of DST Common Stock, dividend equivalents, and the following types of awards, any or all of which may be made contingent on continued service on the DST Board and/or achievement of performance-based criteria.

Options. Non-qualified stock options may be granted by the DST Board. Options are subject to the terms and conditions, including vesting conditions, set by the DST Board. The term of an option will be no longer than 10 years. Each option gives the grantee the right to receive a number of shares of DST Common 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 Common Stock or restricted DST Common Stock.

Restricted Stock. Restricted stock is DST Common Stock that is forfeitable until the restrictions lapse. The DST Board may impose time-based restrictions or performance-based restrictions or both on restricted stock. Time-based restrictions must remain in effect, in whole or in part, until at least the third anniversary of the grant date except in the case of death, disability, retirement, certain special terminations of affiliation, or other circumstances set forth in the award agreement for which accelerated vesting may occur.

Restricted Stock Units. A restricted stock unit is the right to receive a share of DST Common Stock upon satisfaction of conditions specified by the DST Board, which may be time-based or performance-based. Time-based restrictions must remain in effect, in whole or in part, until at least the third anniversary of the grant date except in the case of death, disability, retirement, certain special terminations of affiliation, or other circumstances set forth in the award agreement for which accelerated vesting may occur.

Deferred Stock. Deferred stock is the right to receive shares of DST Common Stock at the end of a specified deferral period. Deferred stock may be granted by the DST Board on a stand-alone basis or may be granted pursuant to the election of a grantee to defer payment of director fees or distribution of the award. Generally, deferred stock is paid upon the earlier of 180 days after service on the DST Board has ended or the Non-Employee Director's death or disability.

Substitute Awards. Substitute awards may be granted by the DST Board on such terms and conditions (including price) as the DST Board determines to a current or former employee or non-employee director of, or consultant to, another business ("Acquired Entity") that is, or whose stock is, acquired by DST or an affiliate, if such person holds Acquired Entity stock or stock-based awards and becomes a Non-Employee Director of DST and if the substitute award is to preserve the economic value of all or a portion of the replaced award.

Transferability. Unless otherwise determined by the DST Board, awards granted under the Plan are not transferable except by will or the laws of descent and distribution. The DST Board will have sole discretion to permit the transfer of an award to certain family members as specified in the Plan.

Amendments. The DST Board may amend or terminate the Plan, without stockholder approval unless stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange on which DST Common 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.

Adjustments. In the event a stock dividend, stock split, reorganization, recapitalization, spin-off, or other similar event affects shares such that the DST Board determines an adjustment to be appropriate to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the DST Board may adjust the number and type of shares available under the Plan or subject to outstanding grants, and, subject to various limits set forth in the Plan, the exercise price of outstanding stock options and other awards.

New Plan Benefits. DST cannot determine the amounts of awards that will be granted under the Plan or the benefits of any awards to the Non-Employee Directors, particularly since Non-Employee Directors, if the DST Board approves, may be able to elect to defer all or a portion of their cash fees under the Plan as deferred stock. Under the terms of the Plan, the number of awards to be granted is within the discretion of the DST Board.

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 fair market value on the date of exercise of the stock acquired on exercise and the option exercise price, and DST will be entitled to a deduction in the same amount. 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. There will be no tax consequences to DST in connection with a disposition of shares acquired on exercise of an option.

Under current rulings of the Internal Revenue Service, a recipient who pays the exercise price for an option with DST Common 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 the manner discussed above. 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 Section 83(b) of the Internal Revenue Code 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. DST is entitled to a deduction at the time and in the amount the recipient recognizes as income. The DST Board may prohibit any Non-Employee Director from making a Section 83(b) election.

Generally, no taxes are due when an award of restricted stock units is made, but the award becomes taxable when it vests. In addition, DST is entitled to a deduction at the time and in the amount the recipient recognizes income. In the case of an award of restricted stock units, a recipient may not make a Section 83(b) election. Rules relating to the timing of payment of deferred compensation under Section 409A of the Internal Revenue Code are applicable to restricted stock units and any violation of Section 409A could trigger interest and penalties applicable to the Non-Employee Director.

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

**THE DST BOARD RECOMMENDS THAT YOU VOTE "FOR"
THE NON-EMPLOYEE DIRECTOR AWARD PLAN**

PROPOSAL 4
RATIFICATION OF THE DST AUDIT COMMITTEE'S SELECTION
OF PRICEWATERHOUSECOOPERS

We are requesting our stockholders to ratify the DST Audit Committee's selection of PricewaterhouseCoopers as DST's independent registered public accounting firm for fiscal year 2005. PricewaterhouseCoopers will audit the consolidated financial statements of DST and its subsidiaries for 2005, review certain reports DST will file with the Securities and Exchange Commission ("SEC"), perform a review of management's assessment as of December 31, 2005 of internal control over financial reporting, issue an attestation report on such assessment ("Internal Control Attestation"), provide the DST Board and DST stockholders with certain reports, and provide such other services as the DST Audit Committee and its Chairman from time to time determine.

PricewaterhouseCoopers served as DST's independent registered public accounting firm for 2004. It performed professional services for DST as described in the Audit Matters section. Representatives of PricewaterhouseCoopers are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they desire and to respond to appropriate questions. Although the DST Audit Committee has selected PricewaterhouseCoopers, it nonetheless may, in its discretion, retain another independent registered public accounting firm at any time during the year if it concludes that such change would be in the best interest of DST and its stockholders.

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

THE BOARD OF DIRECTORS

Directors Whose Terms Expire in Future Years. In addition to the DST Board Nominees, who are identified in Proposal 1, the following individuals are also on the DST Board for a term ending on the date of the annual meeting of stockholders in the year indicated.

Directors Whose Terms Expire at the Annual Meeting of Stockholders in 2006

Thomas A. McCullough, age 62, has served as a director of DST since 1990. He has served as Executive Vice President since April 1987 and as COO since May 2001. His responsibilities include full-service mutual fund processing, remote service mutual fund client servicing, Automated Work Distributor products, information systems, securities transfer, product sales and marketing, and DST's Winchester Data Center. From September 2000 through 2003, he served as CEO, and since September 2000 he has served as Chairman, of Boston Financial Data Services, Inc. ("BFDS"), a joint venture of State Street Corporation ("State Street") and DST. BFDS performs shareowner accounting services for mutual fund companies and remittance and