DST SYSTEMS INC
Form 11-K
June 28, 2012
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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, 2011

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

December 31, 2011 and 2010

* 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 statements of net assets available for benefits and the related statements 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, 2011 and 2010, 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 Delinquent Participant Contributions and Schedule of Assets (Held At End of Year) are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are 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. These supplemental schedules are the responsibility of the Plan s management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are 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, 2012

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

Statement of Net Assets Available for Benefits

December 31, 2011 and 2010

	December 31, 2011	December 31, 2010
ASSETS		
Investments:		
Mutual funds	$ 397,171,979	$ 420,335,544
DST common stock	19,177,518	18,188,434
Investment in master trust	405,425,360	369,879,072
Total investments	821,774,857	808,403,050
Receivables:		
Employer contributions	19,811,476	22,080,035
Participants contributions	835,237	833,658
Notes receivable from participants	13,061,205	12,893,695
Investment income and other	320,605	283,235
Total receivables	34,028,523	36,090,623
Total assets	855,803,380	844,493,673
LIABILITIES		
Due to broker for securities purchased	1,232,468	1,217,933
Total liabilities	1,232,468	1,217,933
Net assets available for benefits	$ 854,570,912	$ 843,275,740

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

December 31, 2011 and 2010

	Year Ended December 31, 2011	2010
Investment income:		
Dividends, interest and other income	$ 8,207,796	$ 6,691,159
Net (depreciation) appreciation in fair value of investments	(22,092,138)	50,948,544
Net appreciation in fair value of investments in master trust	60,037,786	74,934,836
Total investment income, net	46,153,444	132,574,539
Contributions:		
Employer	31,313,832	33,764,836
Participants	27,932,632	30,267,622
Total contributions	59,246,464	64,032,458
Transfer of assets from Argus 401(k) Savings Plan		23,228,053
Total transfers		23,228,053
Distributions:		
Benefits to participants	(92,696,045)	(96,836,271)
Administrative expenses	(1,408,691)	(487,455)
Total distributions	(94,104,736)	(97,323,726)
Net change in net assets available for benefits	11,295,172	122,511,324
Beginning of year	843,275,740	720,764,416
End of year	$ 854,570,912	$ 843,275,740

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

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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.

Newkirk Products, Inc. (Newkirk) and ALPS Holdings, Inc. (ALPS) became wholly owned subsidiaries of DST Systems, Inc. during the year ended December 31, 2011. The Plan was subsequently amended in 2012 to allow employees of Newkirk and ALPS to participate in the Plan as of January 1, 2012. The aggregate net assets of the Newkirk Products, Inc. 401(k) Profit Sharing Plan and Trust and the ALPS Holdings, Inc. 401(k) Plan of $39,028,841 were merged into the Plan in 2012.

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 $23,228,053.

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. One of the Plan s investments (the BMO Prime Money Market Fund) is 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 the Master Trust is Ruane, Cunniff, Goldfarb & Co., Inc. (the Investment Manager). For the years ended December 31, 2011 and 2010, the Sponsor incurred management fees and expenses to the Investment Manager of $3,690,946 and $4,435,575, 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

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

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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). Participants age 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. 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, 2011 and 2010, Sponsor matching contributions were $11,850,189 and $12,029,489, 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, 2011 and 2010, Sponsor profit sharing discretionary contributions were $19,463,643 and $21,735,347, 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

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