DST SYSTEMS INC
Form 11-K
June 24, 2008

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, 2007

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

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.

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, 2007 and 2006, 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 23, 2008

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

Statement of Net Assets Available for Benefits

	December 31, 2007	December 31, 2006
ASSETS		
Investments:		
Mutual funds	$ 333,081,819	$ 282,641,985
DST common stock	28,473,229	22,122,795
Investment in master trust	376,771,786	354,507,235
Collateral held on loaned securities	29,317,837	22,739,329
Loans to participants	9,080,468	7,938,488
Total investments	776,725,139	689,949,832
Receivables:		
Employer	21,464,908	19,818,697
Participants	983,159	882,182
Investment income and other	523,086	185,056
Total receivables	22,971,153	20,885,935
Total assets	799,696,292	710,835,767
LIABILITIES		
Due to broker for securities purchased	1,512,865	1,151,498
Payable for collateral on loaned securities	29,317,837	22,739,329
Total liabilities	30,830,702	23,890,827
Net assets available for benefits	$ 768,865,590	$ 686,944,940

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

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

Statement of Changes in Net Assets Available for Benefits

	Year Ended December 31, 2007	2006
Additions:		
Investment income:		
Dividends, interest and other income	$ 7,751,865	$ 5,305,629
Net appreciation in fair value of investments	33,996,046	30,546,196
Net appreciation in fair value of investment in master trust	29,099,827	27,363,815
	70,847,738	63,215,640
Contributions:		
Employer	32,539,169	29,955,138
Participants	28,950,655	28,125,714
	61,489,824	58,080,852
Total additions	132,337,562	121,296,492
Deductions:		
Distributions:		
Benefits to participants	(49,492,992)	(60,995,253)
Administrative expenses	(923,920)	(508,283)
Total deductions	(50,416,912)	(61,503,536)
Net change in net assets available for benefits	81,920,650	59,792,956
Beginning of year	686,944,940	627,151,984
End of year	$ 768,865,590	$ 686,944,940

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

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.

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 Marshall Money Market Fund) is a mutual fund that is managed by an affiliate of the Trustee. Transactions related to this investment, therefore, qualify as party-in-interest transactions.

A portion of the Plan s assets are invested in the DST Systems, Inc. Mater Trust (Master Trust). The investment manager of Master Trust is Ruane, Cunniff, Goldfarb & Co., Inc. (the Investment Manager). For the years ended December 31, 2007 and 2006, the Sponsor incurred management fees and expenses to the Investment Manager of $4,893,178 and $4,573,214 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. All expenses of operating the Plan may be paid out of Plan assets, except to the extent the Sponsor decides to pay these expenses. Income from securities lending and other activities of the Plan and Master Trust are used to offset administrative expenses of the Plan. For the years ended December 31, 2007 and December 31, 2006, securities lending and other income was sufficient to offset a substantial portion of administrative expenses of the Plan with the remainder being paid by the Sponsor on behalf of the Plan.

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 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 gross salary 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.

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

Notes to Financial Statements

Sponsor contributions consist of a dollar-for-dollar match of the first 3% of participant contributions. During the years ended December 31, 2007 and 2006, Sponsor matching contributions were $11,480,321 and $10,510,441, 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, 2007 and 2006, Sponsor profit sharing discretionary contributions were $21,058,848 and $19,444,697, 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 the DST Company Stock Fund, a unitized fund consisting primarily of DST 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.

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

Notes to Financial Statements