

DST SYSTEMS INC
Form DEF 14A
March 27, 2015

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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

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
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- (4) Proposed maximum aggregate value of transaction:
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 - o Fee paid previously with preliminary materials.
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333 West 11th Street
Kansas City, MO 64105

**DST SYSTEMS, INC.
NOTICE AND PROXY STATEMENT**

Annual Meeting of Stockholders

Tuesday, May 12, 2015

YOUR VOTE IS IMPORTANT

Farewell and Vote of Thanks

Mr. Travis Reed will retire as a director at the conclusion of the 2015 Annual Meeting. The Board wishes to record its thanks and gratitude to Mr. Reed for his extraordinary and committed service to our Company. Travis' leadership and wisdom over the past 13 years have been an invaluable asset to DST.

*The Board formally extends to Travis and his family
its very best wishes for his retirement.*

You have received information on casting your vote. We began delivering Annual Meeting materials, or Notice of Internet Availability of Proxy Materials, on or about March 27, 2015.

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

Proxy Statement
and
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

We cordially invite you to attend our Annual Meeting of Stockholders.

Place: 333 W. 11th Street, 3rd Floor
Kansas City, Missouri 64105

Time: 8:00 a.m. Central Daylight Time

Date: Tuesday, May 12, 2015

Stockholders will consider and vote to:

- 1 Elect directors
- 2 Ratify the Audit Committee's Selection of PricewaterhouseCoopers LLP
- 3 Adopt an Advisory Resolution to Approve Named Executive Officer Compensation
- 4 Approve the Company's 2015 Equity and Incentive Plan
- 5 Approve an Amendment to the Company's Certificate of Incorporation to Eliminate Cumulative Voting in Director Elections
- 6 Approve an Amendment to the Company's Certificate of Incorporation to Declassify the Board

The amendment to the Company's Certificate of Incorporation to declassify the Board is contingent upon stockholder approval of the elimination of cumulative voting in director elections.

The record date for determining which stockholders may vote at this meeting or any adjournment is March 19, 2015. We will provide the recordholder list during the Annual Meeting if any stockholder wishes to examine it for any purpose pertaining to the meeting. We will also make the list available during regular business hours at the above address for the ten-day period before the Annual Meeting.

We are distributing our proxy materials to our stockholders primarily via the Internet under the "Notice and Access" rules of the Securities and Exchange Commission ("SEC"). This approach saves printing and mailing costs and reduces the environmental impact of our Annual Meeting, while providing a convenient way to access the materials and vote. On March 27, 2015, we mailed a Notice of Internet Availability of Proxy Materials to stockholders of record at the close of business on March 19, 2015. The Notice contains instructions about how to access our proxy materials and vote online or vote by telephone.

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Please review the instructions on each of your voting options described in this Proxy Statement and in the Notice. Whether or not you plan to attend the Annual Meeting, please vote your shares as soon as possible. If

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you need assistance at the Annual Meeting because of a disability, please let us know by May 1, 2015, at (816) 435-8655.

Thank you for your continued support. If you have any questions or need assistance voting, please contact Innisfree M&A Incorporated, our proxy solicitor assisting us in connection with the Annual Meeting. Stockholders may call toll-free at (888) 750-5835. Banks and brokers may call collect at (212) 750-5833.

By Order of the Board of Directors,

Randall D. Young

Senior Vice President, General Counsel and Secretary

The date of this Notice is March 27, 2015.

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

PROXY STATEMENT

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ABOUT THE PROXY MATERIALS AND ANNUAL MEETING

We are providing this Proxy Statement to you on the Internet, or upon your request, have delivered a printed version of this Proxy Statement to you by mail, in connection with the solicitation by the Board of Directors of DST Systems, Inc. of proxies to be voted at our 2015 Annual Meeting of Stockholders (including at any adjournment or postponement thereof), which will take place at 8:00 a.m. Central Daylight Time on Tuesday, May 12, 2015, at 333 W. 11th Street, 3rd Floor, Kansas City, Missouri 64105.

These materials were first sent or made available to stockholders on or about March 27, 2015.

These materials include:

the Notice of the Company's 2015 Annual Meeting of Stockholders;

this Proxy Statement; and

the Company's Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the SEC.

If you requested print versions by mail, the materials also include the proxy card or voting instruction form for the Annual Meeting.

Our Board asks that you vote "FOR" the Board nominees for director included in Proposal 1. Our Board also asks that, on a non-binding basis, you vote "FOR" ratification of the Audit Committee's selection of our independent registered public accounting firm set forth in Proposal 2, and vote "FOR" advising the Board that you approve the compensation of the officers named in the "Summary Compensation Table" ("Say-on-Pay") set forth in Proposal 3. Further, our Board asks that you vote "FOR" approval of the Company's 2015 Equity and Incentive Plan set forth in Proposal 4, vote "FOR" approval of an amendment to our Certificate of Incorporation to eliminate cumulative voting set forth in Proposal 5, and vote "FOR" approval of an amendment to our Certificate of Incorporation to declassify the Board set forth in Proposal 6.

OUR BOARD URGES YOU TO VOTE FOR ALL OF OUR BOARD'S NOMINEES FOR DIRECTORS AND FOR THE OTHER PROPOSALS.

We do not know of any other matters on which you will vote at the Annual Meeting. Recordholders may appoint the Proxy Committee as their proxy. The Proxy Committee members are Stephen C. Hooley, Chairman, CEO and President; Gregg Wm. Givens, Senior Vice President, Chief Financial Officer and Treasurer; and Randall D. Young, Senior Vice President, General Counsel and Corporate Secretary. The Proxy Committee will vote your shares as you direct. If you do not specify how your shares are to be voted, your shares will be voted consistently with the Board's recommendations in this Proxy Statement.

This Proxy Statement contains a separate report by each of the Audit Committee and Compensation Committee of our Board. The two Board committee reports are "furnished," not "filed," for Securities Exchange Act of 1934 ("Exchange Act") purposes. Within Board committee reports, "we," "ours," "us" or similar terms mean the committee giving the report. Otherwise, such words or "the Company" mean DST Systems, Inc. ("DST") and its subsidiaries.

This Proxy Statement references the Corporate Governance Guidelines, the Business Ethics and Legal Compliance Policy, and the charters of the Board's Audit Committee, Compensation Committee, Finance Committee, and Corporate Governance/Nominating Committee ("Governance Committee"). You can access

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each of these documents at our website, *www.dstsystems.com*. We will furnish you a copy of any of these documents without charge, if you request in writing to:

DST Corporate Secretary
333 W. 11th Street, 5th Floor
Kansas City, MO 64105

INFORMATION ABOUT THE MEETING

Who Can Vote

Only holders of record of our common stock, par value \$.01 per share, at the close of business on March 19, 2015, the record date for voting at the Annual Meeting, are entitled to vote at the Annual Meeting. Our common stock, our only class of voting securities ("DST stock"), is listed on the New York Stock Exchange.

Use of "Notice and Access"

Pursuant to rules adopted by the SEC, we use the Internet as the primary means of furnishing proxy materials to stockholders. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the "Notice") to our stockholders. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or how to request a printed copy may be found in the Notice. In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. We encourage stockholders to take advantage of the availability of the proxy materials on the Internet to help reduce the environmental impact of our annual meetings, and reduce the cost to the Company associated with the physical printing and mailing of materials.

How to Vote

Please follow the easy instructions in the Notice to vote. For additional information about voting, please also see the information contained under "Annual Meeting Matters."

If You Have Questions or Need Assistance Voting Your Shares

Thank you for your continued support. If you have any questions or need assistance voting, please contact Innisfree M&A Incorporated, our proxy solicitor assisting us in connection with the Annual Meeting. Stockholders may call toll-free at (888) 750-5835. Banks and brokers may call collect at (212) 750-5833.

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DST and Public Company Board Service. Stephen C. Hooley is a DST executive officer. We do not employ the other persons named in the below table.

DIRECTORS AND BOARD NOMINEES	Age¹	Dates of Service on DST Board	Annual Meeting at Which Term Expires²	Current Service on Committees of DST Board	Registered Investment Company Directorships and Public Company Directorships Other Than the Company
A. Edward Allinson	80	September 1995 present April 1977 December 1990	2016	Governance	
Jerome H. Bailey*	62		2017		
Lynn Dorsey Bleil	51	May 2014 present	2017	Audit Compensation Governance	Auspex Pharmaceuticals, Inc.
Lowell L. Bryan* Lead Independent Director Compensation Committee Chairperson	69	May 2012 present	2018	Audit Compensation Finance Governance	
Gary D. Forsee*	64		2017		Great Plains Energy Incorporated Ingersoll-Rand Public Limited Company
Charles E. Haldeman, Jr.*	66	November 2014 present	2018	Audit Compensation Finance Governance	KCG Holdings, Inc. McGraw Hill Financial, Inc.
Stephen C. Hooley Chairman, CEO and President	51	July 2012 present	2016		
Samuel G. Liss* Finance Committee Chairperson Governance Committee Chairperson	58	May 2012 present	2018	Audit Compensation Finance Governance	Verisk Analytics, Inc.
Travis E. Reed ³ Audit Committee Chairperson	80	July 2002 present	2015	Audit Compensation Finance Governance	

*

Denotes the nominees standing for election at the 2015 Annual Meeting.

1

All ages are as of February 27, 2015.

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2 The term expiration for the nominees for election at the Annual Meeting assumes the nominees are elected.

3 Mr. Reed is retiring from our Board and not standing for re-election at the Annual Meeting.

Principal Occupations and Qualifications. The Board has concluded that the nominees for election at the Annual Meeting (the "Board Nominees") and the directors continuing in office are qualified to serve on the Board due to the value of the experiences, qualifications, attributes and skills of each Board Nominee and director continuing in office set forth below.

THE BOARD NOMINEES

Nominees Whose Terms Will Expire at the 2017 Annual Meeting

JEROME H. BAILEY

Mr. Bailey served as Chief Financial Officer-Institutional Clients Group at Citigroup Inc., a multinational banking and financial services corporation, from August 2011 until his retirement from that position in October 2014. Mr. Bailey served in 2008 and 2009 as Chief Financial Officer and Chief Information Officer of Equiniti Ltd., a UK-based provider of administrative, processing and payment solutions. Mr. Bailey has also served as Chief Operating Officer and Chief Financial Officer of NYMEX (New York Mercantile Exchange), as Chief Financial Officer of Marsh, Inc., as Executive Vice President and Chief Financial Officer at Dow Jones, as Chief Financial Officer at Salomon Inc. and Salomon Brothers, and Controller at Morgan Stanley. Mr. Bailey began his career at Pricewaterhouse in 1974, with progressive responsibilities culminating in a partner role in the National Office managing SEC interaction and related document review for financial services clients.

Mr. Bailey's four decades of experience across the financial services industry qualifies him for Board service. In addition, his extensive background across finance, operations and accounting would be a valuable asset to the Board and the Audit Committee.

GARY D. FORSEE

Mr. Forsee was President of the University of Missouri System, a state university system, from December 2007 through January 2011. From 2005 through 2007, he served as Chief Executive Officer of Sprint Nextel Corporation, a telecommunications company. From 2003 to 2005, he was Chairman of the Board and Chief Executive Officer at Sprint Corporation, prior to its merger with Nextel Communications. Prior to that time he had served as Vice Chairman and Chief Operations Officer at the Bell South Corporation, as President of Bell South International, and as Chief Executive Officer of Global One Communications in Brussels, Belgium, a joint venture of France Telcom, Deutsche Telcom, and Sprint. He began his career in 1972 with Southwestern Bell Telephone Company.

Mr. Forsee would bring to our Board his background as a chief executive of large, technologically complex enterprises. He would also bring his experience in strategic development and overseeing compensation programs.

Nominees Whose Terms Will Expire at the 2018 Annual Meeting

LOWELL L. BRYAN

Mr. Bryan is a former Senior Adviser at McKinsey & Company, a global company in the business of management consulting to companies in numerous industries. He retired in mid-January 2012 from his 27 year role as a Director (i.e., Senior Partner) at McKinsey, where he was a co-founder of the company's financial institutions and strategy practices. Upon retirement from his 36 years of full-time service at McKinsey, he founded L L Bryan

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Advisory, LLC and Bayberry Lane Advisory, Inc. each of which advise management and boards on corporate strategy and organizational issues. He has advised the boards of directors and top management of dozens of financial institution, health care, and industrial clients primarily on issues of strategy and organization. Mr. Bryan brings an independent perspective to our Board as a result of his knowledge of the operation of the global capital markets and the global economy, as well as strategic, organizational, and operations issues faced by our financial and healthcare clients. He is the author of several books on banking, capital markets, strategy and organizational topics, and his knowledge contributes to his effectiveness as our Lead Independent Director and as Chairperson of our Compensation Committee.

CHARLES E. HALDEMAN, JR.

From July 2009 through May 2012, Mr. Haldeman was Chief Executive Officer and Director of Federal Home Loan Mortgage Corporation ("Freddie Mac"), a government-sponsored enterprise that provides mortgage liquidity to the housing market. From 2003 through mid-2009, he held key leadership positions at Putnam Investment Management, LLC, including CEO and President through June 2008 as well as Chairman of the Board in his final year. Mr. Haldeman has held several executive positions in the asset management industry, including as Chairman and CEO of Delaware Investments and as President and Chief Operating Officer of United Asset Management Corporation. Mr. Haldeman is a Chartered Financial Analyst with a Juris Doctorate and M.B.A. from Harvard. He is an effective addition to our Board with his extensive financial services, capital markets, asset management, finance, and financial regulation knowledge gained through more than 40 years of financial services experience. Through his mutual fund leadership experience, he has insight into the strategic challenges faced by our financial services clients.

SAMUEL G. LISS

Mr. Liss has been the managing principal since July 2010 of WhiteGate Partners LLC, an advisory firm focused on the financial and business services sectors. He has also served since April 2014 as an Adjunct Professor of Finance at New York University Stern School of Business. From April 2004 through June 2010, Mr. Liss was Executive Vice President, Travelers Companies, Inc., a provider of property and casualty insurance, and continues to serve as an advisor. He was responsible for corporate strategy, divestitures and acquisitions, and had direct management responsibility for one of Travelers' three operating divisions - Financial, Professional and International Insurance. From February 2003 through March 2004, Mr. Liss was Executive Vice President of The St. Paul Companies. From 1994 through 2001, he served as Managing Director Financial Institutions Banking Group and Managing Director Equity Research at Credit Suisse First Boston, Inc. He began his career at Salomon Brothers. His strong background in financial services, management and capital markets and other public and private board experience contribute to his service on our Board and effectiveness as the Chairperson of our Finance Committee and our Corporate Governance/Nominating Committee.

DIRECTORS CONTINUING IN OFFICE

A. EDWARD ALLINSON

Mr. Allinson was Executive Vice President of State Street Bank and Trust Company ("State Street Bank") and Executive Vice President of State Street Corporation ("State Street"), the parent company of State Street Bank, from March 1990 through December 1999. State Street is a financial services corporation that provides banking, trust, investment management, global custody, administration and securities processing services. From December 1999 through his retirement in October 2000, Mr. Allinson served as Chief Executive Officer and Chairman of the Board of EquiServe Limited Partnership, a stock transfer agent for publicly listed corporations which became, for a time, our wholly-owned subsidiary.

Mr. Allinson's extensive background as an executive in the financial services industry, the computer and data processing industry and transfer agency operations is uniquely suited to our businesses. He was one of the

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founders of Boston Financial Data Services, our full service transfer agency joint venture with State Street. He therefore has a deep understanding of our core transfer agency operations and related service and technology offerings, as well as our customer base. He also brings to our Board skills related to our international businesses, which he developed through his experiences at both State Street Bank and another major national bank. His long service as our director and as a director of our previous parent gives him invaluable insights into our history and growth and a unique perspective of the strategic direction of our businesses.

LYNN DORSEY BLEIL

Ms. Bleil was the leader of McKinsey & Company's West Coast Healthcare Practice, and a leader of McKinsey's worldwide Healthcare Practice. She retired in November 2013 as a Senior Partner (Director) in the Southern California Office of McKinsey. During her 25+ years with McKinsey, she worked exclusively within the healthcare sector, advising senior management and boards of leading companies on corporate and business unit strategy, mergers and acquisitions/integration, marketing & sales, public policy, and organization across all segments of the healthcare value chain. Much of Ms. Bleil's recent work has been with companies in the biotechnology/specialty pharma and medical device industries focused on developing corporate strategies, go-to-market/reimbursement strategies, and organizational capabilities to address the rapidly changing payor/provider landscape in the United States and globally. In addition to public company board service in the healthcare field, Ms. Bleil is a trustee of Intermountain's Park City Medical Center Governing Board. Ms. Bleil is a valuable asset to our Board. Her significant expertise in the healthcare industry, which we expect to be a key area of growth and a value driver going forward, helps advance our strategic business plan.

STEPHEN C. HOOLEY

Mr. Hooley became our Chief Executive Officer and President in September 2012, after joining the Board in July 2012 and the Company in July 2009 as our President and Chief Operating Officer. He became Chairman of the Board in July 2014. He was the President and Chief Executive Officer of Boston Financial, our transfer agency joint venture with State Street, from mid-2004 until joining DST.

The Board elected Mr. Hooley as a director in recognition of his distinctive service in all his roles since joining DST. Mr. Hooley's deep financial services industry experience; his extensive knowledge of DST and the interrelationship of our domestic and international diversified business ventures; and his well-established relationships with our customers, associates and partners are valuable assets to the Board as it works to enhance value for stockholders. Mr. Hooley has developed a productive relationship with the Board, collaborating on DST's most important strategic issues.

COMMITTEES AND MEETINGS

The Board appoints the members of the four Board committees, and the three committees that met during the year had the following number of meetings:

Committee	Number of Meetings During 2014
Audit	4
Compensation	5
Governance	7

In 2014, the Board met 20 times. Each incumbent director attended at least 75% of all regular and special Board meetings and all meetings of Board committees on which the director served, except for Mr. Haldeman who, due to prior commitments, could only attend a portion of the one in-person set of Board and committee meetings

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(which for purposes of this calculation counts as four meetings) that occurred following his November 10, 2014 appointment to the Board.

Our directors shall, whenever reasonably practicable, attend annual meetings. Seven directors attended the 2014 Annual Meeting. Non-employee directors, all of whom are independent, meet regularly in private session without management. The Lead Independent Director presides over the private sessions of the independent directors.

LEADERSHIP, EXPECTATIONS, OVERSIGHT

Board Leadership Structure. The Board believes that it is in the best interests of both the Company and its stockholders to maintain a flexible approach to determining the Company's Board leadership structure. Our Bylaws provide that the Board has the discretion but may choose not to appoint a Chairman of the Board. In the absence of such an appointment, the Chief Executive Officer chairs meetings of the Board.

As of the 2014 Annual Meeting, the Board had not elected a Chairman of the Board with the result that our Chief Executive Officer, Stephen C. Hooley, chaired Board meetings and discharged the other duties of Chairman. Given Mr. Hooley's successful leadership in his various roles, the Board appointed Mr. Hooley as Chairman of the Board, effective July 29, 2014.

The Board has determined that the Board and the Company are presently best led by having a combined Chairman and Chief Executive Officer role, as well as having a robust Lead Independent Director role (described below). Having the Chief Executive Officer also serve as the Chairman of the Board provides both accountability to the Board and clear and effective leadership for the Board and the Company, while avoiding any potential for confusion or duplication of efforts between the Chief Executive Officer and a separate Chairman.

Lead Independent Director. Our Corporate Governance Guidelines, which are available on our website, www.dstsystems.com, provide for a strong lead independent director role. The Corporate Governance Guidelines provide that when the Chairman of the Board is also the Chief Executive Officer or is a director who does not otherwise qualify as an independent director, a Lead Independent Director will be selected by the independent directors. Currently, Lowell L. Bryan has been selected as Lead Independent Director. The Lead Independent Director performs the following functions and such other functions as the Board may direct:

Presiding at all meetings of the Board at which the Chairman of the Board (if one is appointed) is not present, including executive sessions of the Board at which only non-management or independent directors are permitted to be present, along with other persons invited to attend such sessions by the Lead Independent Director or by consensus of a majority of the non-management or independent directors.

Serving as liaison between the non-management or independent directors and either the Chairman of the Board (if one is appointed) or the Chief Executive Officer.

Advising the Chairman of the Board (if one is appointed) or the Chief Executive Officer with respect to, and approving, Board agenda items (including items suggested by any non-management director), meeting schedules and information to be provided to the Board.

Serving as a point of contact for stockholders wishing to communicate with the Board other than through the Chairman of the Board (if one is appointed) or the Chief Executive Officer.

The non-management directors of the Board regularly meet in executive session without management, and at such other times as the Lead Independent Director chooses. At the annual organizational meeting of the Board, and at such other times as the Lead Independent Director chooses, the independent directors may meet in executive session without management and without any non-independent directors.

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Our governance processes, including the Board's involvement in developing and implementing strategy, active oversight of risk, regular review of business results and thorough evaluation of Chief Executive Officer performance and compensation, provide rigorous Board oversight of Mr. Hooley as he fulfills his various responsibilities, including his duties as the Chairman of the Board.

Stock Ownership Expectations for Non-Employee Directors. The Board has adopted a guideline that its non-employee directors are expected to beneficially own an amount of DST stock with a fair market value equal to at least five times the annual minimum cash retainer for serving as a Board member. (Retainer information is included under "Non-Employee Director Compensation.") The ownership guideline provides a grace period for achievement of such ownership level after joining the Board. The Board will consider personal circumstances, length of service on the Board, and the effect of market conditions in applying the guideline.

Board Risk Oversight. The Board, with the assistance of the Audit Committee, has oversight of the Company's risk assessment and risk management, with particular focus by the Board on material corporate governance and business strategy risks. The Audit Committee assists the Board with oversight of the Company's material financial risk exposures, including without limitation liquidity, credit, operational and investment risks, and the Company's material financial statement and financial reporting risks. The Compensation Committee assists the Board with oversight of whether the Company's compensation policies and practices for all employees, including non-executive officers, create risks that are reasonably likely to have a material adverse effect on the Company, and whether the effect of incentive compensation structures for executive officers may cause inappropriate risk-taking. In each case, the Board or the Audit Committee oversees the steps Company management has taken to monitor and control such exposures.

The Chairman and Chief Executive Officer, by leading Board meetings, facilitates reporting by the Audit and Compensation Committees to the Board of their respective activities in risk oversight assistance. The Lead Independent Director, who serves on both committees, suggests risk management topics to be discussed at Board meetings as he and other non-management directors deem appropriate. He may lead risk management discussions in executive sessions of non-management or independent directors. The Chairman and Chief Executive Officer's collaboration with the Board allows him to gauge whether management is providing adequate information for the Board to understand the interrelationships of our various business risks. He is available to the Board to address any questions from directors regarding executive management's ability to identify and mitigate risks and weigh them against potential rewards.

INDEPENDENCE AND ACCESSIBILITY

Non-Employee Director Independence. New York Stock Exchange standards, certain securities and tax laws, and our Corporate Governance Guidelines govern the independence of non-employee directors. A majority of our Board must be independent, and directors must be independent for purposes of Board committee service. Our Board has determined the independence for Board service and for service on their respective Board committees of each of Directors Allinson, Bleil, Bryan, Haldeman, Liss and Reed. In addition, our Board has determined that Board Nominees Bailey and Forsee would qualify as independent directors.

As a group, the independent directors constitute a majority of the Board. Mr. Hooley, our Chairman, CEO and President, is the only member of the Board who is also an employee, and is the only director who is not independent under applicable independence standards.

To determine independence for service on the Board and its committees, the Board has adopted categorical independence standards consistent with the New York Stock Exchange Standards and contained in our Corporate Governance Guidelines. The Board has applied these categorical independence standards in determining the independence of each non-employee director and the Board Nominees. It uses the standards to determine whether a non-employee director has a material relationship with us, either directly or as a partner, stockholder or officer of an organization that has a relationship with us.

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Under the Corporate Governance Guidelines, the Board presumes a non-employee director is independent if the director:

during the preceding three years:

has not been our employee and has no