

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report: December 14, 2009
(Date of earliest event reported)

DST Systems, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

0-14036
(Commission
File Number)

43-1581814
(I.R.S. Employer Identification
Number)

333 West 11th Street
Kansas City, Missouri 64105
(Address of principal executive offices, including zip code)

(816) 435-1000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On December 14, 2009, the Compensation Committee of the Board of Directors of DST Systems, Inc. ("Company" or "DST") adopted forms of option agreements and granted awards of options to certain participants in the Company's 2005 Equity Incentive Plan ("Plan"), including certain of the named executive officers of DST. The options are a component of executive compensation for 2010.

The following description is a brief summary of the material terms and conditions of the option awards to the named executive officers who were listed in the Summary Compensation Table in DST's most recent proxy statement and who are currently executive officers of DST or a wholly-owned subsidiary of DST. In each case the option award is subject to the grantee's acceptance of the terms and conditions of the applicable option agreement. This summary is not intended to be complete, and is qualified in its entirety by reference to the forms of option agreements included as Exhibits 10.1 and 10.2 to this report and incorporated herein by reference.

Each option award has a ten year term. The exercise price for each option is payable in cash or in shares of DST common stock and is the Fair Market Value on the date of the grant, as determined under the Plan and in accordance with the Compensation Committee's procedures.

Stock Option Awards (Time Vesting)

For named executive officers Steven C. Hooley, DST President and Chief Operating Officer, Steven J. Towle, DST Output President and Chief Executive Officer, and Kenneth V. Hager, DST Vice President, Chief Financial Officer and Treasurer, the Compensation Committee adopted a form of stock option agreement with a time vesting provision, which form is attached hereto as Exhibit 10.1 and applies to each of their grants. Messrs. Hooley, Towle and Hager respectively received options to purchase 70,400, 38,900, and 27,800 shares of DST Company's common stock.

Pursuant to the terms of the award, one-third of the grant of stock options shall vest and become exercisable annually on each anniversary of the award beginning in 2010. Any unvested amounts shall vest and become immediately exercisable upon termination by reason of death or disability, as determined in accordance with the Committee's rules for administration of the Plan. In the event of a voluntary or involuntary termination of employment that is not in connection with a reduction in force or a business unit divestiture (as these are defined in the award agreement), the unvested options will not vest, any unvested options will be forfeited, and vested options will remain exercisable for three calendar months thereafter (unless the awardee is retirement-eligible, in which case the vested options will remain exercisable for the remaining option term). In the event of any termination in connection with a reduction in force or a business unit divestiture, unvested options will vest pro rata (provided that at least six months have elapsed since the date of grant), and any vested options will remain exercisable for three calendar months thereafter (unless the awardee is retirement eligible, in which case the vested options will remain exercisable for the remaining option term). All unvested options will vest in the event of

a termination without cause or, for executive officers, for good reason, following the occurrence of a Change in Control (as defined in the Plan).

Stock Option Awards (Performance and Time Vesting)

The Compensation Committee adopted a separate form of stock option agreement for Mr. Hooley and named executive officer Thomas R. Abraham, DST Global Solutions Chief Executive Officer, with both performance and time vesting provisions. The form of agreement is attached hereto as Exhibit 10.2 and applies to each of their grants.

Mr. Hooley received options to purchase 50,000 shares of the Company's common stock. Pursuant to the terms of Mr. Hooley's award, at each year's meeting of the Compensation Committee at which the Company's financial results for the preceding calendar year are approved for Plan purposes (beginning with such meeting in 2011), a percentage of the options vest if improvement over prior year DST earnings per share as determined by the Committee for purposes of Mr. Hooley's agreement ("EPS") has occurred. The percentage of the aggregate award of options vesting as of each such date shall equal two times the percentage of increase over the previous year's EPS. Any amounts not vested by the date of the Compensation Committee's meeting in 2019 will be forfeited.

Mr. Abraham received options to purchase 38,900 shares of the Company's common stock. Pursuant to the terms of Mr. Abraham's award, options will vest at the 2013 meeting of the Compensation Committee at which financial results for the year ended December 31, 2012 are approved for Plan purposes if a minimum level of DST Global Solutions consolidated pre-tax income is achieved over the period 2010-2012. If the Compensation Committee determines that the required level was not achieved, the options will be forfeited.

For both Messrs. Hooley and Abraham, any unvested amounts shall vest and become immediately exercisable upon termination by reason of death or disability, as determined in accordance with the Company's rules for administration of the Plan. In the event of a voluntary or involuntary termination of employment, the unvested options will not vest, any unvested options will be forfeited, and vested options will remain exercisable for three calendar months thereafter (unless the awardee is retirement eligible, in which case the vested options will remain exercisable for the remaining option term). In the event of a Change in Control (as defined in the Plan), one-third of any unvested stock options shall vest and become exercisable annually on each anniversary of the Change in Control (provided that if the option will expire within the three year period, then the vesting period shall be reduced so that all options vest prior to the expiration), and all unvested options will vest in the event of a termination without cause or for good reason.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
<u>10.1</u>	<u>Form of Stock Option Award Agreement (Time Vesting)</u>
<u>10.2</u>	<u>Form of Stock Option Award Agreement (Performance and Time Vesting)</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DST Systems, Inc.

By: /s/ Randall D. Young
Randall D. Young
Vice President, General Counsel and
Secretary

Date: December 18, 2009

STOCK OPTION AWARD AGREEMENT

DST SYSTEMS, INC. 2005 EQUITY INCENTIVE PLAN

(Time Vesting, Executive Officer)

THIS AGREEMENT is made and entered into as of the "Grant Date" (see Paragraph 1(a)), by and between DST SYSTEMS, INC. ("Company") and recipient ("Employee") of an Award under the DST Systems, Inc. 2005 Equity Incentive Plan, as amended and interpreted from time to time (the "Plan").

WHEREAS, Awards under the Plan are administered by the Compensation Committee of Company's Board of Directors or other committee designated by the Board (the "Committee") or Company officer to which the Committee delegates authority as provided in the Plan;

WHEREAS, the Committee or its delegate has established rules and procedures related to the Plan and to the exercise of Awards granted thereunder (the "Rules");

WHEREAS, the Committee wishes to grant to Employee a non-qualified stock option ("Option") to purchase shares ("Shares") of Company's common stock (all such Shares subject to the underlying Option and issuable in connection with the exercise of the Option are referred to herein as "Optioned Shares"); and

WHEREAS, the Option may become exercisable ("Vest") and the underlying Optioned Shares become eligible for purchase (such an exercisable Option (or portion thereof) referred to herein as the "Vested Option" and those Optioned Shares eligible to be purchased referred to herein as "Vested Optioned Shares") at the "Option Price" (see Paragraph 1(a)), subject to the satisfaction of certain terms and conditions including continued "Employment" (as defined in Section 6), and to the other provisions of this Agreement, all while remaining subject to a risk of forfeiture as provided in Section 4.

The parties agree as follows:

1. Grant of Option.

a. Option Grant. As of the "Grant Date" (which is shown in the electronic communication sent to Employee regarding this Award), the Committee hereby grants to Employee an Option to purchase, at the price shown in the communication, which shall be the Grant Date "Fair Market Value" as defined in the Plan and determined under the Rules (the "Option Price") and subject to the provisions of this Agreement, the number of Optioned Shares shown in the communication. In order for the grant to be effective, Employee must timely confirm acceptance of the terms and conditions of this Agreement pursuant to the instructions in the communication.

b. Nontransferability. Except as permitted under Section 5.4(c) of the Plan with respect to transfers to Permitted Transferees, the Option shall not be transferable other than by will or the laws of descent and distribution or pursuant to Employee's written beneficiary designation filed with and approved by the Committee prior to Employee's death. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Option contrary to the provisions hereof and the levy of any execution, attachment or similar process upon the Option shall be null and void and without effect.

2. Vesting. Subject to the other terms and conditions of this Agreement (including forfeiture under Section 4), the Option shall Vest as provided in this Section 2.

a. General Vesting Conditions. This Option shall Vest ratably on each of the first three calendar year anniversaries of the Grant Date and such ratable Vesting shall be cumulative with the effect that, on each such anniversary date Employee shall Vest in a right to purchase one-third (or an additional one-third) of the Optioned Shares and, unless the Option is forfeited, the right to purchase all the Optioned Shares shall be fully Vested on the third anniversary of the Grant Date. If the number of Vested Optioned Shares is not evenly divisible by three, the Corporate Secretary's office shall allocate the additional Vested Optioned Share to the earliest ratable Vesting date. In no event shall the aggregate number of Vested Optioned Shares exceed the total number of Optioned Shares.

b. Pro Rata Early Vesting upon Certain Events. As determined in Paragraph 6(d), a pro rata portion of the non-Vested Option shall Vest upon either a "Reduction in Force" or a "Business Unit Divestiture" (each as defined in Section 6); provided, however, that no such Vesting shall occur unless at least six months have elapsed between the Grant Date and the Business Unit Divestiture or Reduction in Force. In the event of a Business Unit Divestiture or a Reduction in Force, that portion of the Option that does not Vest under this Paragraph 6(b) shall be forfeited. All Optioned Shares that become Vested Optioned Shares solely as a result of the accelerated Vesting attributable to this Paragraph 6(b) are referred to herein as "Event-Vested Optioned Shares," and the formula for calculating the number of Event-Vested Optioned Shares is set forth in Paragraph 6(d).

c. Vesting Subsequent to a Change in Control. Subject to Section 7 of this Agreement and Section 15 of the Plan, upon a "Termination Without Cause" or a termination of Employment in connection with a "Resignation for Good Reason" (each as defined in Section 6), in each case that occurs subsequent to the date of a Change in Control, all Optioned Shares shall become fully Vested. Prior to any such event, the Option shall continue to Vest as provided in Paragraph 2(a).

d. Full Early Vesting upon Disability and Death. The Option shall Vest with respect to all Optioned Shares on the date of Employee's "Disability" (as defined in the Rules) or death.

3. Exercise Period for the Vested Option.

a. Expiration Date. The term of the Option shall be from the Grant Date through and including the tenth anniversary of the Grant Date ("Expiration Date"). So long as forfeiture has not occurred under Section 4, each Vested Option under Section 2 shall be exercisable in accordance with the Rules from and including the Vesting date through and including the earlier of the Expiration Date or the applicable alternate date following Employee's termination of Employment,

“Retirement” (as defined in Paragraph 6(g)), death or Disability, as provided in the other paragraphs of this Section 3 (the “Exercise Period”).

b. Three Month Exercise Period After Termination of Employment. Upon termination of Employment for any reason other than Cause, death, Disability or Retirement, each Vested Option shall be exercisable in accordance with the Rules for three calendar months and may be exercised through and including the three-month anniversary of the termination, provided, however, that the right to exercise the Vested Option expires on the Expiration Date even if the three calendar months have not yet elapsed. An Option, or any portion thereof, does not Vest as a result of a termination of Employment, except as otherwise provided in Section 2.

c. One Year Exercise Period After Death or Disability. Upon death or Disability, the entire Option shall be exercisable in accordance with the Rules through and including the one-year anniversary of the death or Disability, provided, however, that the right to exercise the Option expires on the Expiration Date even if the one-year period has not yet elapsed.

d. Remainder of Term to Exercise After Retirement. Retirement shall not cause any portion of the Option to Vest, provided, however, that upon Retirement, Employee may exercise through the Expiration Date any portion of the Option that has become Vested by the date of Retirement pursuant to Paragraph 2(a) (annual ratable Vesting), Paragraph 2(b) (Event-Based Vesting), or Paragraph 2(c) (full Vesting in connection with eligible termination after a Change in Control). Even if Employee is Retirement-eligible at the date of Disability or death, the Exercise Period following Disability or death shall be limited to the one-year period following such event as provided in Paragraph 3(c).

e. Expiration of the Option. After the applicable Exercise Period provided above, the Option, if unexercised, shall be forfeited and no longer exercisable (even if the reason Employee has not exercised the Option is because the Option Price exceeded the Fair Market Value of a Share at the Expiration Date).

4. Forfeiture of the Option.

Notwithstanding any other provision of this Agreement, each Option (including the Vested Option) is immediately forfeited and may no longer be exercised, upon the earlier of the Expiration Date, an occurrence of “Cause” (as defined in Paragraph 6(a)), or expiration of the Exercise Period as provided in Section 3. Except as otherwise provided in Section 2, any Option (or portion thereof) that does not Vest by the date of termination of Employment is forfeited upon termination of Employment.

5. Exercise of Options.

a. Notice of Exercise. Any Vested Option may be exercised in accordance with the Rules, which govern the “Exercise Date” and require written notice on a Company form which states the election to exercise the Option and the total number of Vested Optioned Shares that are being exercised. No portion of the Option shall be exercisable with respect to a fractional Share, and no fewer than one hundred (100) Vested Optioned Shares may be purchased in connection with the exercise of any portion of an Option (unless the remaining unexercised Vested Optioned Shares are fewer than one hundred (100)).

