

DST Systems: Supporting Investment Management for 40 Years

DST Systems Inc. this year celebrates 40 years of providing market-leading solutions to the mutual fund industry. In recognition of this milestone, *Money Management Executive* asked DST's senior leadership to identify ways in which investment management companies can maximize the value they deliver to their stakeholders by leveraging the strengths and resources of their service provider.

"In today's environment, investment management companies are making dynamic strategy shifts that require implementation timelines that were unheard of just a few years ago—which means that our systems and staff must be ready to handle a wide range of record-keeping or servicing scenarios without disruption or lengthy development."

This special three-part series will look at how service providers help support investment management companies as they look to manage expenses, improve efficiencies, mitigate risks, distribute their products and ensure shareholder satisfaction. Part one of the series focuses on improving efficiencies and managing expenses.

Managing Efficiencies, Adding Value

As investment management companies develop strategies in response to dynamic markets and rapidly evolving product trends, they do so with continued awareness of an overarching goal: to deliver maximum value to their stakeholders. Shareowners, distributors, fund employees and fund directors all look to these investment management companies for results and solutions. Investment management companies, in turn, can look to their service provider to deliver technologies and services that help them maximize the

value they bring to their stakeholders.

"All service providers deliver some level of value," said **Bob Tritt**, group vice president of mutual fund servicing at DST Systems. "But investment management companies can maximize that value—and pass it along to their stakeholders—by leveraging the core strengths of a service provider that collaborates to help them optimize efficiencies and manage expenses.

A service provider should deliver scale and efficient processes, market-leading technology and a team of associates with extensive industry knowledge and experience."

Tritt believes that one of the most important ways that fund companies can realize value is to work with a vendor that delivers **tightly integrated technology** solutions. When fund companies don't have to struggle to make disparate systems "talk" to each other, or to reconcile reports from different databases, he said, they are in a better position to respond quickly and effectively to significant changes in the industry, whether those be driven by economics, regulations or market trends.

"Because all of DST's solutions are based on a single source code and integrated into our core recordkeeping platform, we can accommodate change quickly and efficiently on one primary system, rather than across a host of systems that have to be synchronized," he said.

This development approach also enables investment management companies to streamline their processes for implementing and testing enhancements. Once an enhancement is made to any element of DST's recordkeeping platform, TA2000, it is available to all clients on the platform. New functionality can, in essence, be "turned on" as needed to respond to changing business needs.

Integrated tools, such as web-based self-servicing and call center technologies, reduce costly investor servicing tasks. Further enhancing these efficiencies are business process management and other automation solutions that streamline workflow across channels and departments. DST's business process management platform, AWD, delivers the power to automate, monitor and improve mission-critical business processes.

"AWD provides our clients with a high level of consistency and control in their operations," said **John Vaughn**, vice president of **DST Technologies**, which delivers AWD to DST Systems' clients. "By matching a piece of work to the person best trained to handle it, AWD drives quality and productivity improvements with a direct impact on the bottom line."

An example of productivity improvements can be seen in DST's mail center, where AWD supports a mail solution that systematically classifies and indexes mail documents, streamlining hand-sorting of incoming mail. Mail is scanned, classified and routed into the work queue via AWD; items that are not recognized at the required confidence level are routed to appropriate staff for manual classification. Today, 87% of inbound mail is automatically classified and goes straight-through to the appropriate business area for processing. The other 13% is routed for exception handling, which is typically managed electronically in half the time as paper-based exception handling.

Clients can take advantage of this new mail classification service by outsourcing

it fully to DST. Alternatively, clients may choose to maintain their own mail operations and send DST scanned images for classification, and DST will return the classified images to the clients' work queues.

Flexible Service Options

Taking advantage of a wide range of outsourcing options offered by their service provider is another way investment management companies can manage resources and deliver maximum value to their constituents. By focusing on their core competencies surrounding asset management—while their service provider focuses on its core competencies of transfer agency work and recordkeeping—investment management companies are better positioned to deliver results.

"Offering a **flexible service model** is critical to supporting the strategies of our clients," Tritt said. "In today's environment, investment management companies are making dynamic strategy shifts that require implementation timelines that were unheard of just a few years ago—which means that our systems and staff must be ready to handle a wide range of recordkeeping or servicing scenarios without disruption or lengthy development."

Because DST's broad client base represents a range of product and distribution strategies, DST has experience in supporting a large variety of technology and service requirements, Tritt said. In addition, DST's size enables companies to leverage its scale to better manage costs associated with shareholder servicing.

"We have implemented a workforce management tool in our call center that analyzes historical call volume data to predict future call volumes," said **Tom Schmidt**, vice president responsible for DST's full-service solutions. "This enables us to staff appropriately in order to provide consistent answer intervals."

DST employs a "virtual work force" of part-time staffers that can help manage changing volumes, thanks to the integration of AWD with DST's recordkeeping platform. Even clients that maintain their

own recordkeeping operations can contract with DST to share work and do overflow processing when needed.

Many clients test the waters of service outsourcing by first turning over one or two pieces of their recordkeeping operations, such as mail and corporate action functions, Tritt said. "Depending on their business requirements, they continue to entrust more and more to our service teams. We strive to make that transition as straightforward for our clients as possible."

Commitment to Investment

Service flexibility, automation and integrated technology are all possible when the service provider retains its core focus on technology and operations, Tritt said.

"DST has a track record of driving technology and process standards, and continues to **invest in new development**, even during challenging times," he said. "Our clients can leverage our investment more cost effectively than investing in their own solutions."

Tritt notes that some of DST's most valuable innovations were developed in support of its own service operations. AWD is perhaps the most visible example of this, and is implemented by 98% of DST's management company client base.

"Because we're one of the biggest users of our own recordkeeping platform," he says, "we are able to identify new applications for our own use and make those solutions available to clients."

Another innovation is DST's Universal Dealer database, which scrubs representative information to ensure the representative placing the trade receives proper credit. Universal Dealer is a central repository of firm, office and representative information that systematically matches trades to the correct representative. Once a representative does business with any of the participating fund companies, that representative's information is reconciled and updated in the universal database. As other fund families submit trades, they benefit from the reconciliation efforts that were made before.

Conversions and Development Support

DST's hands-on experience with its own platform translates into a level of competence that investment management companies rely on when converting new business onto TA2000, said **Fred Quatrocky**, vice president responsible for remote client services.

"The service provider should deliver extensive expertise not only in systems conversions, but in helping to manage the impact of change through training and on-site support," Quatrocky said. "Value-add services like advisory groups, executive forums and consultative servicing help clients get a broader view of industry issues and consider new approaches to challenges."

The long-term relationship between client and service provider should also include an active role for the client in helping to set technology development priorities. DST's management company clients are made aware of pending development projects and have the opportunity to be involved in the design and development of these projects. This client-centered approach results in a more complete solution due to the large number of clients that provide input.

"Working together, DST and its clients can consider a range of perspectives when evaluating challenges and solutions," Tritt said. "In **collaboration**, we can better anticipate product support needs and prepare for major shifts such as new regulatory requirements, improving speed to market with solutions that benefit our clients' customers and other stakeholders."

Especially in challenging times, investment management companies must evaluate strategies to improve operational efficiencies and manage expenses. Outsourcing to a vendor that enables them to meet these needs while remaining nimble in their approach provides a value that extends beyond the bottom line to shareowners, distributors and directors.

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