Stable Value for a Changing Regulatory Environment
Money Market Fund Reform mandated by the SEC will take effect by October 2016. Fund changes as a result of the reforms may drive retirement plan sponsors to complete a review of the relevant funds in their investment menus to determine the impact of such changes.

The new rules define three variants of Money Market Funds (MMF): “Government,” “Retail,” and “Institutional.” Government MMFs will continue to offer a constant $1 net asset value (NAV), and not be subject to redemption fees or liquidity gates. However, the rules will require investment managers to establish a variable NAV for Institutional MMFs, while allowing Retail MMFs to offer a constant $1 NAV. The rules will also allow both Institutional and Retail MMFs to use liquidity fees — giving investors access to their funds, but at a cost — and redemption gates — permitting the fund board to suspend redemption for up to 10 business days, in times of stress.

**Securities and Exchange Commission Money Market Fund Reform Final Rule Timeline**

- **July 23, 2014**
  SEC approves Final Rule on Money Market Reform, following public comment

- **August 14, 2014**
  Money Market Fund Reform Adopting Release published in the Federal Register, kicking off 60-day countdown to effective date
At first look, clients in 401(k) plans may not appear to be affected, because the Retail MMFs (most common in DC Plans) will maintain a constant $1 NAV. But, in times of certain defined fund liquidity stress, an MMF Board might impose up to a 2% liquidity fee and/or up to a 10-day redemption gate. Therefore, some plan sponsors may consider replacing their Retail MMFs with Government MMFs. However, in the current rate environment, Government MMFs are yielding returns at or just above 0%.

<table>
<thead>
<tr>
<th>Fund type</th>
<th>Net asset value</th>
<th>Liquidity fee/ redemption gate</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury</td>
<td>Stable</td>
<td>No</td>
</tr>
<tr>
<td>Government</td>
<td>Stable</td>
<td>No</td>
</tr>
<tr>
<td>Retail prime</td>
<td>Stable</td>
<td>Yes</td>
</tr>
<tr>
<td>Retail municipal</td>
<td>Stable</td>
<td>Yes</td>
</tr>
<tr>
<td>Institutional prime</td>
<td>Floating</td>
<td>Yes</td>
</tr>
<tr>
<td>Institutional municipal</td>
<td>Floating</td>
<td>Yes</td>
</tr>
</tbody>
</table>

October 14, 2014 — Effective date of reforms
- All funds subject to variable net asset value (VNAV), subject to exception
- “Government” and “Retail” MMFs can offer shares at a constant $1 NAV (CNAV)

October 14, 2016 — Compliance with VNAV (or Government and Retail definitions/exemptions)
- “Institutional” and “Retail” MMFs subject to “Fees and Gates”
- New disclosure, stress-testing and reporting requirements
Participants clearly embrace stable value, investing over $720 billion.¹

Because of these dynamics, plan sponsors are revisiting Stable Value funds for their ability to deliver both consistent returns, and a constant NAV through the use of insurance wrappers.

Stable value portfolios have, at various times, outperformed short-term fixed income investments.

³Based on book value. The Standish Stable Value Separate Account Composite contains all fully discretionary separate account stable value portfolios managed by Standish Mellon Asset Management Company LLC (Standish) and reflects historical stable value performance under Standish. This composite was created March 31, 2004 and includes accounts with inception dates prior to that time and accounts that are no longer with the firm. Accounts with specific size or diversification constraints have been excluded from this composite. The following standard fee schedule for accounts up to $250 million for the Stable Value Separate Account Strategy has been used to calculate net performance: 0.20% of assets on the first $75 million, 0.15% of assets on the next $75 million, 0.10% of assets on the next $100 million, and 0.08% of assets thereafter. Standish’s standard fees are shown in Part 2A of its Form ADV.

²The Lipper Institutional Money Market Funds Average is the average of the 30 largest funds in the Lipper Institutional Money Market Funds Category. These funds invest in high quality financial instruments rated in top two grades with dollar-weighted average maturities of less than 90 days. Money market funds intend to keep a constant net asset value. You cannot invest directly in a Lipper Average.

³For the Mellon Stable Value Fund returns: The above net results reflect an asset-based fee of 50 basis points applied to all assets, which represents the most expensive share class. The returns do not include outside audit fees. Actual fees incurred by clients may be less depending on fee class selected.

Many participants embrace stable value for their conservative allocations and as a refuge in times of market volatility.

More than 13% of the $5.2 trillion in DC plans is invested in stable value funds.³

³Stable Value Investment Association.

²The Aon Hewitt 401(k) Index™ tracks the daily transfer activity of nearly 1.3 million 401(k) plan participants with nearly $160 billion in collective assets. As of March 31, 2015.

³Pensions & Investments annual survey for DC money managers.
Incorporating the right stable value approach.

Select the Stable Value investment option best suited to the needs of your plan.

Yesterday’s approach:
Offering a basic capital preservation option provided by the plan administrator.

Today’s mandate:
Ensure capital preservation option is tailored to plan needs.

Implementation options have evolved, allowing better alignment with plan goals and objectives.

Focused on preservation of principal and current income through varying interest rate environments, without giving thought to implementation based upon the plan’s unique goals and objectives.

Continue to focus on capital preservation and liquidity, while providing steady, positive returns, but be thoughtful about choosing based on the plan’s goals and objectives such as:
- Fixed crediting rate or a rate that does not respond to changes in market.
- A pooled fund approach to diversify risk across providers and underlying managers.
- A diversified portfolio that meets the specific risk/return preferences of the plan sponsor.

Also consider new contract providers, lower wrap fees and enhanced wrap capacities.

Plan of attack:
Determine and implement your approach.

- Single Insurer Stable Value Product
  For plans seeking a fixed crediting rate.

- Commingled Stable Value Trust
  For smaller plans looking to diversify risk.

- Separately Managed Stable Value Fund
  For larger plans seeking to create a diversified portfolio.

Today’s stable value approaches.
More flexibility. Seeking same stability of returns.

There are several approaches to consider when choosing a Stable Value investment option.

Single Insurer Stable Value Product
For plans seeking a fixed crediting rate or a rate that does not respond to market changes:
- Represents a single obligation of an insurance company issued directly to the plan as a general account or separate account guaranteed investment contract.
- Frequently provided with fully bundled plan administration.

Commingled Stable Value Trust
For smaller plans looking to diversify risk across providers and underlying managers:
- Combines the assets of multiple plans into a commingled trust that generally invests in guaranteed investment contracts.
- Provides an administratively convenient vehicle.
- Diversifies stable value management across all levels: wrap provider, underlying manager and issuer exposure.

Separately Managed Stable Value Fund
For larger plans seeking to create a diversified portfolio that meets the plan sponsor’s risk/return profile:
- Creates a customized portfolio that is not commingled and the underlying assets are owned by the plan.
- Generally invests in various stable value products, issuers and underlying managers.
- Tailors investment guidelines to plan sponsor risk/reward preferences.
Following the Credit Crisis of 2008 a number of firms exited the Stable Value market. Standish’s conservative investment approach and innovative solutions have allowed it to be the respected stable value provider it is today.

<table>
<thead>
<tr>
<th>Industry concern</th>
<th>BNY Mellon/Standish approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring availability of wrap insurance</td>
<td>Leverage our solid relationships</td>
</tr>
<tr>
<td></td>
<td>• With new contract providers and decreased fees, wrap capacity is available to large managers like BNY Mellon.</td>
</tr>
<tr>
<td>Rising rates decrease bond prices and lower the value of marked-to-market portfolio</td>
<td>Tap our portfolio management expertise</td>
</tr>
<tr>
<td></td>
<td>• Our stable value management team has an average tenure of 15 years and 19 years of investment experience.</td>
</tr>
<tr>
<td></td>
<td>• We focus on carefully managing the trade-off of portfolio duration relative to yield, and maintaining stable value through all rate environments.</td>
</tr>
<tr>
<td>Providing robust risk management</td>
<td>Utilize a range of portfolio diversification approaches</td>
</tr>
<tr>
<td></td>
<td>• Reduce exposure to a single provider by using five to six wrap providers.</td>
</tr>
<tr>
<td></td>
<td>• Use collective bond index funds to reduce overexposure to any particular issuer name or market sector.</td>
</tr>
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<td></td>
<td>• Diversify manager risk by using sub-advisors.</td>
</tr>
<tr>
<td></td>
<td>• Seek to generate excess returns with careful security selection by active managers.</td>
</tr>
<tr>
<td></td>
<td>• Reduce expenses and possibly provide greater diversification with passive management.</td>
</tr>
<tr>
<td>Contending with altered exit provisions for stable value commingled funds</td>
<td>Choose the Mellon Stable Value Fund(^1)</td>
</tr>
<tr>
<td>The exit provision is the notice period a plan sponsor must give before exiting a collective fund and receiving book value for its withdrawal.</td>
<td>• Some funds have increased their exit provisions from the standard 12 months to 24 months.</td>
</tr>
<tr>
<td></td>
<td>• Others have switched to a plan sponsor termination provision, where the plan receives the lesser of market value or book value at the time of withdrawal — a risky proposition for a plan sponsor trying to maintain a stable principal value.</td>
</tr>
<tr>
<td></td>
<td>• The Mellon Stable Value Fund has not veered from the standard 12-month exit provision.</td>
</tr>
<tr>
<td>Considering the implications of re-enrollment on a stable value portfolio</td>
<td>Engage the stable value manager early in the process</td>
</tr>
<tr>
<td></td>
<td>• While stable value funds provide book value coverage for participant-directed activity (withdrawals, transfers, etc.), book value coverage is limited for distributions resulting from plan sponsor-directed events such as a re-enrollment.</td>
</tr>
<tr>
<td></td>
<td>• A stable value pooled fund manager may need up to 12 months’ notice before implementation of a re-enrollment.</td>
</tr>
<tr>
<td></td>
<td>• Timing and feasibility for separately managed stable value portfolios may vary depending upon market conditions or how the re-enrollment is designed.</td>
</tr>
</tbody>
</table>

\(^1\)The Bank of New York Mellon (the “Bank”) sponsors a variety of collective investment funds, including the Mellon Stable Value Fund (Fund), an unregistered bank product available only to qualified retirement plans. The Bank is the trustee and discretionary investment manager for the Fund. The Fund is managed by certain employees of Standish Mellon Asset Management Company LLC (Standish) acting in their capacity as officers of the Bank. Clients that invest in the Fund enter into an investment management agreement with the Bank; any references in this presentation to separate account options, availability or capabilities relate directly to Standish, acting as an SEC-registered investment adviser, rather than to the Bank. The Bank and Standish are subsidiaries of The Bank of New York Mellon Corporation. Standish is a wholly owned and independently operated BNY Mellon investment management firm; BNY Mellon is the corporate brand for The Bank of New York Mellon Corporation.
Choosing the right stable value manager is critical to helping your participants achieve their target outcomes.

Let these four points be your guide.

1. **Focus on selecting the right stable value manager**
   - Consider their reputation and diversification.
   - Assess investment quality and duration.

2. **Evaluate participant restrictions**
   - Consider implications of equity wash rules.
   - Assess quality of participant communications.

3. **Know the plan level termination provisions**
   - Be aware of the value you receive at the time of withdrawal.

4. **Assess risk and fee/cost transparency 408(b)(2) and 404(a)(5)**
   - Determine if disclosed fees include administrative, management, wrap coverage or other fees.

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**Our History**

Standish Mellon Asset Management Company LLC is a wholly-owned subsidiary of The Bank of New York Mellon Corporation. Standish traces its roots back to 1933, when Standish, Ayer & Wood, Inc. began managing fixed income portfolios for U.S. financial institutions, banks and insurance companies. It has been managing stable value strategies for more than 30 years.

- **1933**
  - Year Standish was founded

- **$157.3 billion**
  - USD in assets under management

- **$18.3 billion**
  - USD in stable value assets under management

- **182 Employees**
  - Located in U.S., U.K., and Singapore

- **130 Investment Professionals**
  - U.S., regional and global mandates

As of March 31, 2016.

1. Assets under management (AUM) as of March 31, 2016. This figure includes assets managed by Standish personnel acting as dual officers of The Dreyfus Corporation or The Bank of New York Mellon; high yield assets managed by personnel of Alcentra NY, LLC acting as dual officers of Standish; and mortgage assets managed by personnel of Amherst Capital Management LLC acting as dual officers of Standish. Standish, Dreyfus, Alcentra and Amherst Capital are registered investment advisers. Standish, Dreyfus, Alcentra and The Bank of New York Mellon are wholly-owned subsidiaries of The Bank of New York Mellon Corporation. Amherst Capital is a majority-owned subsidiary of The Bank of New York Mellon Corporation.

2. Includes shared employees of Standish Mellon Asset Management (UK) Limited and MBSC Securities Corporation, both affiliates of Standish Mellon Asset Management Company LLC (“Standish”), Standish Mellon Asset Management (Singapore) Pte. Limited who provide non-discretionary research services to Standish US and may also serve as sub-adviser to Standish US for certain client mandates, and employees of Alcentra NY, LLC and Amherst Capital Management LLC acting as dual officers of Standish. These individuals may from time to time act in the capacity of shared employees of Standish, performing sales, marketing, portfolio management support, research and trading services for certain Standish managed accounts.

In addition, Standish is also supported by BNY Mellon Asset Management Operations LLC (“BNYM AM Ops”) which is a legally separate entity that provides services related to all aspects of IT and operations, including front, middle and back office services through a Service Level Agreement.
This is a general summary of some of the differences among money market mutual funds, stable value funds and bank collective funds, all of which may seek to maintain a stable value, but do so in different ways under different regulatory regimes and supervision. Therefore, each has a distinct set of risks, but all may lose value and none are guaranteed or insured investments.

The term “money market fund” as used in this presentation refers to a U.S.-registered investment company managed pursuant to Rule 2a-7 under the Investment Company Act of 1940, as amended. An investment in any money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Although a money market fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in a money market fund. Yield fluctuates, and past performance is no guarantee of future results. Investors should consider the investment objectives, risks, charges and expenses of a money market mutual fund carefully before investing. For more information on money market funds, see SEC Investor Bulletin: “Focus on MoneyMarket Funds” @ http://www.sec.gov/investor/alerts/mmf-investoralert.htm

The term “stable value fund” as used in this presentation refers either to an unregistered separately managed account invested on behalf of an institutional client’s retirement plan, or to a bank-sponsored collective investment trust.

The Bank of New York Mellon (the “Bank”) sponsors a variety of collective investment funds, including the Mellon Stable Value Fund (Fund), an unregistered bank product available only to qualified retirement plans. The Bank is the trustee and discretionary investment manager for the Fund. The Fund is managed by certain employees of Standish Mellon Asset Management Company LLC (Standish) acting in their capacity as officers of the Bank. Clients that invest in the Fund enter into an investment management agreement with the Bank. The Bank and Standish are affiliated subsidiaries of BNY Mellon; BNY Mellon is the corporate brand for The Bank of New York Mellon Corporation.

A separately managed account is a customized portfolio of assets owned by a single investing entity. Securities are purchased in the client’s name and traded on the client’s behalf, pursuing a specific investment strategy managed by an investment adviser. In reliance upon certain applicable exemptions, separately managed accounts are not registered under U.S. federal or state securities laws. Because separately managed accounts are not mutual funds, they are governed by different regulations, restrictions and disclosure requirements. Separately managed accounts are intended as long-term investment vehicles, rather than a means of speculating on short-term market movements. “Stable value” separately managed accounts seek current income while maintaining the stability of invested principal, and seek to maintain daily book value liquidity for all plan participants. For more information, see “Stable Value FAQ” @ http://www.stablevalue.org/media/misc/Stable_Value_FAQ.pdf

A collective investment trust is a tax-exempt investment vehicle maintained by a bank or trust company exclusively for qualified plans, including 401(k)s, as well as for certain types of government plans. Like mutual funds, and unlike separate accounts, a collective investment trust pools the assets of multiple investing entities. Collective investment trusts are managed and operated in accordance with the applicable trust’s governing documents, which generally include a declaration of trust (or plan document) and the fund’s statement of characteristics (a set of investment guidelines). Though collective investment trusts are regulated by the Office of the Comptroller of the Currency or other state banking or trust regulators, they, like separate accounts, are not registered under U.S. federal or state securities laws. Also like separate accounts, collective investment trusts are intended as long-term investment vehicles, rather than a means of speculating on short-term market movements. “Stable value” collective investment trusts seek current income while maintaining the stability of invested principal, and seek to maintain daily book value liquidity for all plan participants. For more information on bank collective funds, see “Part 1, FAQs About Collective Investment Funds” @ http://www.aba.com/Tools/Function/Trust/Documents/CSTI-SampleGlossary2012.pdf, http://www.aba.com/Tools/Function/Trust/Documents/ABA%20Primer%20on%20Bank%20Collective%20Investment%20Funds.pdf

Like mutual funds, however, it is possible to lose money in investing in a stable value fund or collective investment trust, yield fluctuates, and past performance is no guarantee of future results.

A stable value fund may offer multiple share classes that are subject to different charges and expense ratios.

BNY Mellon Retirement personnel act as licensed representatives of MBSC Securities Corporation (a registered broker-dealer) when offering securities, and act as officers of The Bank of New York Mellon (a New York chartered bank) to offer bank-maintained collective investment funds as well as to offer separate accounts managed by BNY Mellon Investment Management firms. This material is not intended as an offer to sell or a solicitation of an offer to buy any security, and it is not provided as a sales or advertising communication and does not constitute investment advice. MBSC Securities Corporation, a registered broker-dealer, FINRA member and wholly-owned subsidiary of The Bank of New York Mellon Corporation, has entered into agreements to offer securities in the U.S. on behalf of certain BNY Mellon Investment Management firms.

BNY Mellon Investment Management is one of the world’s leading investment management organizations, and one of the top U.S. wealth managers, encompassing BNY Mellon’s affiliated investment management firms, wealth management service and global distribution companies. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation.