BNY Mellon
SmartPath Target Date Funds℠

Leveraging the Power of Consensus

BNY MELLON RETIREMENT
Simplifying Retirement Is — and Isn’t — as Simple as You May Think.

Target Date Funds (TDFs) have increasingly grown in popularity in recent years, thanks primarily to the Pension Protection Act of 2006 (PPA), which offers fiduciaries protection when using TDFs as the Qualified Default Investment Alternative (QDIA) in a DC plan. Based on their seeming simplicity, TDFs have rapidly become the most utilized option for plans’ QDIAs.

The PPA offers safe harbor relief from fiduciary liability for default investments when certain conditions are met using QDIAs. However, simply choosing a QDIA is not enough. Fiduciaries are required to conduct a thorough review of TDF options across the industry in an effort to choose the solution most appropriate for the plan and its participants. They are also required to conduct proper due diligence and ongoing monitoring of these plan investment options.

BNY Mellon SmartPath Target Date Funds℠ are designed to leverage the intellectual property of the broader target date universe — through a unique “consensus-driven” glide path. BNY Mellon SmartPath Target Date Funds offer a simple, intelligently designed investment solution to help participants achieve their targeted retirement outcomes.
Guidance on Evaluation, Selection and Monitoring of Target Date Funds

Additional guidance provided by the Department of Labor (DOL) in 2013 emphasized fiduciary accountability, directing plan sponsors to establish and document their process for comparing and selecting TDFs, implement periodic reviews and understand these investments, their allocations and how these shift over time, as well as regularly reviewing the fees and investment expenses.

While TDFs may offer a professionally managed, multi-asset solution with dynamic allocation that changes over time as a participant works toward their targeted retirement date, choosing the appropriate TDF solution remains a challenge for plan fiduciaries. There is no shortage of choice with numerous philosophies and approaches to glide path design and implementation — active or passive, open or closed architecture, “to” or “through,” aggressive or conservative — and, in turn, varied glide paths. All these choices equate to more complexity for plan fiduciaries faced with the task of determining what best meets the needs of the plan, its goal and objectives, and behaviors of its participants. Choosing the most appropriate TDF solution is critical, as the glide path and investment philosophy can have a significant impact on a participant’s ability to reach his or her retirement goals.

Our SmartPath Funds benefit from BNY Mellon’s storied financial leadership and partnership with Mellon Capital Management Corporation (“Mellon Capital”), one of our autonomous investment boutiques with more than $352 billion in Global Index assets under management. Mellon Capital, a “pioneer in indexing,” utilizes low-cost, passively managed index strategies for an unbiased investment solution.
Considerations and Trade-offs When Comparing Glide Paths

Glide path design and portfolio construction vary greatly among TDF providers with various assumptions on participant behaviors and contribution patterns, as well as capital markets, long-term expected returns, risks and correlations anticipated over varied time horizons, extending for as long as 40 years.

To compare glide paths, plan fiduciaries need to analyze the distribution of possible investment outcomes to objectively evaluate risk/return trade-offs for their participants. Yet analysis of outcomes can be confounded by these vastly different inputs.

Additionally, there are no universally accepted metrics for meaningful comparisons across glide paths and focusing on the probability of “success” alone may be too simplistic. The varied glide path designs and assumptions complicate the evaluation process, as comparisons are not “apple-to-apple.”

Another question DC decision-makers are faced with is whether it is better to choose an “aggressive” or “conservative” glide path. If the glide path is overly conservative, participants may miss out on strong market growth cycles. Conversely, with an overly aggressive glide path, participants may experience excessive volatility and loss of principal when markets decline. Fiduciaries must consider these trade-offs — weighing the value of the potential upside of growth against the risk of volatility.

The Power of Collective Wisdom — The Case for “Consensus”

Recognizing these challenges, and the variety of manager approaches to glide path and portfolio construction, BNY Mellon SmartPath Target Date Funds leverage the collective knowledge of the TDF provider universe. Through analysis of other investment managers — their capital market assumptions, risk/return analysis and forecasts of participant behaviors — and, through our proprietary model, we’ve created a “consensus” glide path.

There are a number of practical hurdles to choosing a glide path optimal for your participants — and, the reality is, there is likely no “ideal” glide path. This forces plan fiduciaries to choose between multiple options — a rigorous and objective decision that is challenging and fraught with complexity.

Our approach doesn’t negate the need to conduct appropriate due diligence to enjoy full 404(c) fiduciary protection as defined by the Employee Retirement Security Act of 1974 (ERISA). However, it does address some of the challenges and trade-offs in selecting a TDF most aligned with participant and plan objectives, needs and behaviors.

Target date fund managers devote significant resources and intellectual capital to developing individual TDF glide paths. Our consensus model includes approximately 45 different fund family/series products — aggregating the industry’s best thinking into a single glide path methodology. It leverages collective wisdom and rigor while also reducing the risk of the plan’s fiduciary selecting a glide path representing a singular extreme view.

BNY Mellon SmartPath Target Date Funds — Our Process

Benefiting from the value of collective intelligence, our SmartPath Target Date Funds apply multiple data aggregation and mathematical techniques, analyzing and weighting the data from the leading fund family/series products to develop our consensus glide path methodology.

Target Date Glide Path Vintage Analysis Highlights

Data mined from Morningstar Direct for all mutual funds and collective trust funds.
**Delivering Value**

Leveraging Mellon Capital's expertise as a pioneer in indexing, The Bank of New York Mellon's SmartPath Target Date Funds utilize an index-driven approach that seeks to provide maximum class exposure at a relatively low cost.

### Additional Features
- Entirely passive components in collective funds provide diversification while reducing costs
- No securities lending exposure
- Allocation throughout equity market geographies and capitalizations

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<th>The BNY Mellon Index Funds¹</th>
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<th>Benchmark²</th>
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<td>S&amp;P 500® Index</td>
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<tr>
<td>BNY Mellon Mid Cap Stock Index Fund</td>
<td>U.S. Mid Cap Stocks</td>
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<td>BNY Mellon Small Cap Stock Index Fund</td>
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<td>BNY Mellon REIT Index Fund</td>
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<td>BNY Mellon ACWI ex-U.S. IMI Fund</td>
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<td>BNY Mellon Aggregate Bond Index Fund</td>
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<td>Barclays U.S. 1–3 Year Government/Credit Index</td>
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¹ These are the underlying bank collective investment funds in which the BNY Mellon SmartPath Target Date Funds invest for the corresponding asset category. Any collective investment funds presented are maintained by The Bank of New York Mellon. Employees of Mellon Capital manage the assets of these collective investment funds in their capacity as dual officers of The Bank of New York Mellon. Not all investors may be eligible to invest in the Funds shown above.

² BNY Mellon Intermediate Credit Bond Index available in BNY Mellon SmartPath Target Date Fund Series as of 6/30/15.

³ See Disclosure Statements for description of the indices.

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2. Funds with an allocation to “cash” >20% or an allocation to “other” >5% as defined by Morningstar are identified as outliers and subject to additional research.

3. Consensus glide path is constructed from arithmetic, asset-weighted and reputational data.

4. Qualitative and quantitative review to help identify outliers.

5. Final evaluation and comparison of glide path to help avoid any significant unintended variances producing adverse outcomes.
BNY Mellon SmartPath Glide Path
“Through” Approach

Our glide path seeks to balance risk versus reward — shifting to a more conservative allocation with a “through” retirement approach. Our funds employ an 85% equity to 15% fixed income allocation for all periods longer than 30 years from target retirement date. The glide path rolls down through the targeted retirement date and becomes static after the sixth year, retaining a 33% equity exposure.

1 The Funds are bank-maintained collective investment funds and The Bank of New York Mellon (“Bank”) is the trustee and manager. Employees of Mellon Capital manage the assets of the collective investment funds in their capacity as dual officers of the Bank. As a bank-maintained pooled investment vehicle, the Fund and its units are not registered under federal and state securities laws in reliance upon applicable exemptions. Because the Fund is not a mutual fund, it is governed by different regulations, restrictions and disclosure requirements. For example, the Funds are subject to banking, securities and tax regulations that, among other things, limit participation to certain eligible qualified plans where the Bank or an affiliate is a trustee, investment manager, custodian or directed agent. Units of the Fund may only be sold to eligible plans that have executed a trust, custody, agency, participation or investment management agreement with the Bank that, among other things, subjects the plans to the terms and conditions of the Fund’s Declaration of Trust, as amended from time to time. The above chart is a graphical representation of the approximate allocations of the Funds. Actual allocations may vary.

As is the case with mutual funds, the Funds are not a deposit of, and are not insured or guaranteed by, any bank, financial institution, the FDIC or any other government agency, and participants may lose money. Also, each Fund unit’s principal value and investment return will fluctuate, so that when a unit is redeemed, it may be worth more or less than the original investment.

Broad Diversification

Our SmartPath Target Date Funds seek capital appreciation while mitigating risk through broad allocation across diverse categories. Allocation to TIPS and REITs helps to hedge against inflation risk, while our ongoing competitive analysis leads to optimization — allowing our glide path to be adjusted on an as-needed basis according to shifts in the Target Date universe.

Glide path can be adjusted on as-needed basis according to shifts in the Target Date universe.
BNY Mellon SmartPath
Target Date Funds

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<th>Characteristics</th>
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<tr>
<td>Simplicity</td>
<td>100% passively managed* non-securities lending strategies</td>
<td>Aims to reduce active risk exposure and provide a cost-effective target date solution</td>
</tr>
<tr>
<td>Intelligent Design</td>
<td>The consensus glide path leverages the intellectual property of the broad target date universe</td>
<td>A relatively unbiased, easy-to-understand distillation of industry’s best thinking</td>
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<tr>
<td>Risk-Aware</td>
<td>Empirical evidence concludes no single optimal glide path solution exists</td>
<td>Eliminates proprietary thinking of single provider, which may produce adverse outcomes</td>
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* Prior to March 31, 2010, the funds also invested in actively managed funds but did not allocate assets to U.S. mid-cap, stock funds, real estate securities or emerging markets securities funds.

BNY Mellon: Multiple Resources Partnering Together

**BNY Mellon**

BNY Mellon is a premier global investments company dedicated to helping clients manage and service their financial assets throughout the investment life cycle. BNY Mellon provides financial services for institutions, corporations and individual investors, delivering informed investment management and investment services in 35 countries and more than 100 markets.

**BNY Mellon Investment Management**

- Diversity of styles and risk profiles
- No “house view” or centralized CIO
- Composed of 13 autonomous investment boutiques with distinct philosophies and processes

**The Bank of New York Mellon**

Trustee and Manager of Funds

**Mellon Capital Management**

“Pioneers in Indexing”


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2 BNY Mellon Investment Management is one of the world’s leading investment management organizations, encompassing BNY Mellon’s affiliated investment management firms, wealth management services and global distribution companies.

3 Mellon Capital is an investment adviser registered with the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940. The firm is defined as Mellon Capital and includes assets managed as dual officers of The Bank of New York Mellon and as dual employees of The Dreyfus Corporation. AUM, client and employee counts are as of December 31, 2015, unless noted otherwise. Mellon Capital’s AUM includes assets managed in overlay strategies ($3.3 billion) as of December 31, 2015. Mellon Capital Management and its abbreviated form Mellon Capital are service marks of Mellon Capital Management Corporation.
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FEES AND EXPENSES
Fees and expenses are only one of several factors that participants and beneficiaries should consider when making investment decisions. The cumulative effect of fees and expenses can substantially reduce the growth of a participant's retirement account; participants can visit the Department of Labor’s Employee Benefit Security Administration's website at www.dol.gov/ebsa for an example demonstrating the long-term effect of fees and expenses.

Charts and graphs herein are provided as illustrations only and are not meant to be guarantees of any return. The illustrations are based upon certain assumptions that may or may not turn out to be true.

S&P 500® Index is an unmanaged index composed of 500 leading companies in leading industries of the U.S. economy. It is considered to be generally representative of the U.S. large capitalization stock market as a whole. S&P Mid Cap 400® Index is an unmanaged index composed of 400 U.S. stocks chosen for market size, liquidity, and industry group representation. It is considered to be the most widely used index for mid-sized companies in the Russell 3000 Index. The Russell 2000® Index is composed of the 2,000 smallest companies in the Russell 3000 Index. The Russell 3000® Index is composed of the 2,000 largest U.S. companies based on total market capitalization. Dow Jones U.S. Select REIT IndexSM is a subset of the Dow Jones Americas Select REAL® Index and includes only real estate investment trusts ("REITs") and REIT-like securities. The MSCI All Country World Index ("ACWI®") is a capitalization-weighted benchmark composed of large and mid-sized companies in global developed and emerging market countries, excluding the United States. Barclays U.S. Aggregate Index is an unmanaged total return index of corporate, government and government-agency debt instruments, mortgage-backed securities and asset-backed securities with an average maturity of 1-10 years. Barclays U.S. Intermediate Credit Index measures the performance of the U.S. Corporate and a non-corporate component that includes foreign agencies, sovereigns, supranational and local authorities with maturities of 1-10 years. Barclays U.S. Treasury Inflation Protected Securities (TIPS) Index (“BARCLAYS U.S. TIPS Index”) is an unmanaged market index comprised of all U.S. Treasury Inflation Protected Securities rated investment grade (Baa3 or better), having at least one year to final maturity, and at least $250 million par amount outstanding. Barclays U.S. 1-3 Year Government/Credit Index (“Barclays U.S. 1-3 Yr Govt/Credit Index”) is composed of investment-grade United States credit securities and government bonds that have a remaining maturity of greater than or equal to 1 year and less than 3 years, and have more than $250 million or more of outstanding face value.

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