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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Mike Katz *Voya Financial Inc - EVP of Finance*

Heather Lavallee *Voya Financial Inc - Chief Executive Officer*

Don Templin *Voya Financial Inc - Chief Financial Officer*

Rob Grubka *Voya Financial Inc - CEO of Workplace Solutions*

Matt Toms *Voya Financial Inc - CEO of Voya Investment Management*

CONFERENCE CALL PARTICIPANTS

John Barnidge *Piper Sandler - Managing Director, Equity Research*

Elyse Greenspan *Wells Fargo Securities, LLC - Managing Director, Equity Research*

Tom Gallagher *Evercore ISI - Research Division - Senior MD*

Jimmy Bhullar *JPMorgan - Equity Research Analyst*

Ryan Krueger *Keefe, Bruyette & Woods, Inc. - Managing Director, Equity Research*

Wilma Burdis *Raymond James - Director - Equity Research*

Wes Carmichael *Autonomous Research - Senior Analyst*

Suneet Kamath *Jefferies - Equity Analyst*

Joel Hurwitz *Dowling & Partners Securities, LLC - Analyst*

Mike Ward *Citi - Analyst*

PRESENTATION

Operator

Good morning. Welcome to Voya Financial's second-quarter 2024 earnings conference call. (Operator Instructions) Please note this event is being recorded.

I would now like to turn the call over to Mike Katz, Executive Vice President of Finance. Please go ahead.

Mike Katz - *Voya Financial Inc - EVP of Finance*

Thank you. And good morning. Welcome to Voya Financial's second-quarter 2024 earnings conference call. We appreciate all of you who have joined us this morning. As a reminder, materials for today's call are available on our website at investors.voya.com.

Turning to slide 2. Some of the comments made during the call may contain forward-looking statements or refer to certain non-GAAP financial measures within the meaning of federal securities law. GAAP reconciliations are available in our press release and financial supplement found on our website.

Now, joining me on the call are Heather Lavallee, our Chief Executive Officer; and Don Templin, our Chief Financial Officer. After their prepared remarks, we will take your questions. For the Q&A session, we have also invited the heads of our businesses, specifically, Matt Toms, Investment Management; and Rob Grubka, Workplace Solutions.

With that, let's turn to slide 3, as I would like to turn the call over to Heather.

Heather Lavallee - *Voya Financial Inc - Chief Executive Officer*

Good morning. And thank you for joining us today. Our second quarter results reflect our success in strategic execution and sound capital management. We achieved our financial targets in the second quarter and remain on track to achieve our targeted full year results for 2024. We are executing our strategy, driving robust growth and commercial momentum in both Workplace Solutions and in Investment Management. And we continue to demonstrate strong excess capital generation and high free cash flow conversion in line with our targets for 2024.

Turning to slide 5. Our second quarter adjusted operating EPS was \$2.18. We generated strong fee-based revenues in Wealth and Investment Management, offsetting higher than target aggregate loss ratios in Health. As Don will discuss in more detail, we are actively addressing loss ratios by adjusting pricing on new business and renewals in order to return to our target range in 2025.

While loss ratios have presented a headwind, we remain on track to deliver our full year EPS target of \$8.25 to \$8.45. This is the result of the strong actions we have taken throughout the year to drive revenue growth and control spend, while continuing to invest in the business.

We have grown net revenues in line with our targets and maintained strong margins, driving higher earnings in Investment Management and Wealth. These results reflect the transformation of our Workplace Solutions and Investment Management businesses over the past several years. Diversified revenues and robust commercial momentum across a breadth of markets and distribution channels are driving profitable growth and resiliency. And our capital-light and high free cash flow businesses continue to demonstrate their capacity to generate excess capital, which has allowed us to further increase our dividend this quarter.

Turning to slide 6. With market-leading presence across Retirement and Employee Benefits, our Workplace Solutions business is uniquely positioned to help employers optimize their investments in workplace benefits and savings, while providing their employees with comprehensive health and wealth solutions. Our strategy enables multiple paths for growth in the workplace by landing and retaining customers, by expanding our solution set and by deepening our engagement.

Across Workplace Solutions, we are landing new business, driven by the scale and breadth of our solutions and distribution across markets, tax codes, and employer sizes. We continue to grow in Full Service Retirement, with a strengthening presence in the mid-market, continued momentum in the emerging market, and high retention rates. We expect positive full-service flows throughout the second half of 2024 and into 2025.

We are expanding our reach with customers through the solutions and capabilities we provide. We continue to build on expansion opportunities through Benefitfocus. Benefits administration customers now represent our largest channel for HSA sales. We are also delivering on the customer service enhancements needed to maximize the value of this platform with Net Promoter Scores up 26 points year-over-year for our most recent renewal cycle. And to enhance our solution set in group life and voluntary, we are investing in lead management to meet employers' growing needs for a differentiated solution in this space.

Our deepening engagement with customers is shown through the increased adoption of managed accounts and growth in our Retail Wealth Management platform. Managed account revenues are up 30% year-over-year, and Retail Wealth Management continues to grow as a key distribution channel. We are investing in our Advisor platform and our retail presence, with plans to further expand our team of field and phone-based professionals. Voya has over \$100 billion in total client assets, with our advisers serving both the in-plan and out-of-plan wealth needs for our customers.

Turning to slide 7. Voya Investment Management's diversified and globally distributed investment strategies position us for continued growth across institutional and retail markets. With institutional fixed income as our strategic anchor, we are focused on delivering exceptional solutions that are grounded in strong investment performance. Our clients are responding with greater demand, driving strong net inflows and growth expectations, supporting our outlook for 2% organic growth for the year.

Strong flows in insurance for the first half of 2024 were driven by the breadth of our institutional client relationships. While our income and growth franchise continues to support robust international retail flows. And with a refined intermediary channel strategy, and new distribution leadership,

we continue to scale and strengthen our distribution of investment products and services globally in the institutional, subadvisory, and intermediary channels.

We also continue to expand into adjacent private and alternative strategies by delivering differentiated solutions and continued growth in our private funds, including plans to launch three funds during the second half of 2024. Voya Investment Management enters the second half of 2024 focused on execution and position for long-term sustainable growth.

Turning to slide 8. At Voya, we are living our purpose and vision to drive positive outcomes for our clients, colleagues and the communities in which we live and work. For example, by improving access to comprehensive financial guidance and education, we are having a positive influence on the decisions our customers are making about their savings and benefits. We are also expanding the solutions available to our customers that support caregiving, mental health, and emotional well-being. And in May, we celebrated our 11th annual National Day of Service, with over 70% of Voya employees participating in events that benefited a diverse set of charitable organizations across the country.

With that, Don will now provide more details on our performance and results. Don?

Don Templin - *Voya Financial Inc - Chief Financial Officer*

Thank you, Heather. Now, let's turn to our results on slide 10. We delivered \$2.18 of adjusted operating earnings per share in the second quarter compared with \$2.21 a year ago. Our results reflect higher fee-based margins in Wealth and Investment Management, offset by lower underwriting in Health. We expect higher loss ratios in Health to persist this year. That said, we are actively incorporating the elevated claims data into the January 2025 pricing to return loss ratios to our target range next year. Our focus on management actions, including diligence on spend, is helping us remain on track to achieve \$8.25 to \$8.45 of adjusted operating EPS in 2024.

Second quarter GAAP net income was \$201 million compared to \$154 million in the prior year quarter, due to more favorable investment gains and lower acquisition and integration costs. Excess capital generation in the quarter remains robust at approximately \$200 million, consistent with our track record of generating above our 90% target. And we remain on track to generate \$800 million for the full year.

Turning to Wealth on slide 11. We continue to improve outcomes and deliver value for our customers, driving growth in both assets and participants. Our participant count exceeds 7 million, representing a 6% CAGR growth since 2019. Defined contribution client assets have grown to over \$519 billion as of June 30. Full Service and recordkeeping net outflows were \$597 million and \$1 billion, respectively, in the second quarter.

While improved equity markets are a net positive for Retirement, they do have a counterintuitive effect on net flows by increasing the average account values of each participant surrender even though our surrender rates have improved. We continue to retain 98% of all Full Service plans and sales are up, powered by the mid-market where sales in the quarter are 3x higher year-over-year. Looking forward, we continue to build a strong pipeline and expect positive net flows in Full Service for the second half of the year.

Moving to slide 12. Wealth generated \$214 million of adjusted operating earnings in the second quarter. This was meaningfully higher than the prior year, due to strong fees and expense discipline. Net revenues were 3% higher year-over-year, driven by strong management actions and favorable markets. Fee-based revenues reflect consistent growth in our participants and strong equity markets in 2024.

For spread income, our actions to drive higher margin in the current rate environment has helped to offset the effect of lower spread-based assets. The spread income guidance we have provided assume rates follow the forward curve prospectively. Our adjusted operating margin of 39.7% is an outcome of the net revenue growth and discipline on spend.

The second quarter did include some timing benefits for administrative expenses, which contributes to the higher expense guidance we are providing for next quarter. We continue to be disciplined with our spend and have taken actions to further integrate our business while still investing for growth. This includes capabilities in the mid-market and Retail Wealth Management.

Turning to slide 13 on Health. Our immediate focus is to return aggregate loss ratios to within our 69% to 72% targeted range. In the second quarter, the total aggregate loss ratio was 72.9%, primarily driven by loss ratios for Stop Loss, which were above our 77% to 80% target range. While we feel good about the rate increases achieved on the non-January 2024 business, the impact on this year's results will be modest.

Voya has a strong track record in Stop Loss. We also have an experienced team that helped correct the book in 2018 when our 2017 loss ratios were above target. As a result, we are confident in our ability to achieve target loss ratios in 2025. We continue to find the fundamentals of the Stop Loss business attractive as it can be repriced annually, has a natural tailwind for growth due to medical inflation, and is a growing market as companies move to self-fund their employee health care plans. In-force premium growth remains robust and is supported by expanded quoting capabilities, success in the mid-market, and greater adoption of voluntary solutions.

Moving to slide 14. Health adjusted operating earnings were \$60 million in the second quarter. This compares to exceptionally favorable results in 2023, when loss ratios were well below target ranges. Looking ahead, we feel confident with our ability to restore loss ratios back to our target range in 2025, while continuing to profitably grow our Health business.

Moving to Investment Management on slide 15. The successful transformation of our business into a diversified global investment manager with an enhanced platform of investment solutions is allowing us to deliver strong results today and enabling opportunities to scale in new growth markets. We generated positive net inflows of \$4.8 billion in the second quarter, putting us on track to meet our 2% organic growth expectation for the full year.

In institutional, we saw significant improvement and a return to positive net cash flows of approximately \$3 billion. This was led by strong demand for core fixed income in the insurance channel.

In retail, positive net cash flows of approximately \$2 billion reflect continued momentum in both US and international intermediary channels, including demand for our income and growth solutions, retail private equity fund, and core fixed income.

As a reminder, management of the remaining legacy assets connected to our annuity divestiture in 2018 is expected to transfer to Venerable over the next 12 months starting this September. These transfers will complete the runoff of approximately \$14 billion in assets under management and an additional \$4 billion in assets under administration. These assets were generally in lower fee index-oriented solutions. These flows have no impact on our general account and continue to be reflected in current guidance, which remains unchanged. Our leading positions in institutional fixed income and third-party insurance asset management serve as competitive advantages, and will support continued client and asset growth.

Turning to slide 16. Investment Management delivered adjusted operating earnings of \$50 million in the second quarter, net of AllianzGI's noncontrolling interest. Second quarter net revenues were 5% higher year-over-year, reflecting strong growth in intermediary and insurance assets under management and favorable equity markets. Adjusted operating margin was 26% on a trailing 12-month basis, reflecting continued expense discipline while investing for growth.

We remain on track to achieve our goal of expanding operating margins by at least 100 basis points on a full year basis in 2024. We are encouraged by our commercial momentum, and we expect our diverse pipeline and strong investment performance will support our outlook for 2% organic growth for the year.

Turning to slide 17. Our strong capital generation differentiates us from peers. We continue to build on our track record of generating excess capital above 90% of earnings, while still investing for growth. In the second quarter, we returned \$214 million of capital to shareholders, including \$174 million of share repurchases and \$40 million of dividends. As Heather mentioned, we increased our quarterly dividend by \$0.05 or 12.5%. Raising the dividend is driven by confidence in our business mix and our track record of consistent high free cash flow generation. It is also another step to regularly grow our dividend over time.

Our leverage ratio sits comfortably in our targeted range of 25% to 30% today. Looking ahead, we have \$400 million of debt maturing in 2025, which we intend to refinance, subject to market conditions.

Turning to slide 18. Management actions are keeping us on track to meet our full year adjusted operating EPS target of \$8.25 to \$8.45. Wealth delivered strong revenue growth and profitability in the second quarter. In Health, we have a clear plan to address lower-than-expected underwriting performance. In Investment Management, we have transformed the business into a diversified global asset manager, and we remain confident in our ability to achieve 2% organic growth with expanded margins. Finally, we are on track to generate and return over \$800 million of excess capital to shareholders in the form of share repurchases and dividends in 2024.

With that, I will turn the call back to the operator so that we can take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) John Barnidge, Piper Sandler.

John Barnidge - Piper Sandler - Managing Director, Equity Research

Good morning. Thank you for the opportunity. Can you talk about the investment in leave management for Health that was called out, maybe the opportunity set and the path to delivery there? Thank you.

Rob Grubka - Voya Financial Inc - CEO of Workplace Solutions

Yeah, sure. So leave management is an area where we've had a partnership approach to the solution we provide, what we've learned seen, and then I'll give you a market context it's just the experience around that is a real pain point for employers. So when you think about sort of the frequency of activity that goes on versus short-term disability, long-term disability, leave is much higher frequency than both of those for sure.

And so from an employer standpoint, it's an area where, like communication and handoffs and clarity and needing to stay aligned with what the employee's experience who goes out on leave, their manager, the HR team, there's a lot of communication and opportunity for things to not be communicated well. And so what we're calling out here is really building our own capability, have a completely ingrained and embedded in our platforms, in our experience in such a way that we can be ever more important to the employer, ultimately, and then deliver a good experience for them and the employee throughout.

So for us, we look at this as certainly a long-term decision and investment, but a really important one in where the market is going to more and more bundling of solutions, and HR teams wanted to get to fewer providers. We think it's a really smart investment. And we're really excited about the opportunity that will emerge from it.

Heather Lavallee - Voya Financial Inc - Chief Executive Officer

Yes. And John, the only build I would have on Rob's comments is that this is really a critical part of our workplace strategy to ensure that we're best serving the employers and then helping to drive better outcomes for their employees across the workplace spectrum.

John Barnidge - Piper Sandler - Managing Director, Equity Research

Thank you for that. My related follow-up would be, what's the time frame for this investment for leave management and when do you think it will be up and running? Thank you.

Rob Grubka - *Voya Financial Inc - CEO of Workplace Solutions*

Yeah. We're going to be in a position to transition things actually next year, but then more fully the following year. So we'll do some work throughout the coming 12 plus months, and then we'll have technology work that does what technology does. It does takes a little time to implement and continue to invest in the experience. We'll get most of it right the first time out, but there's always refinement and things that we're doing just like any other investment we make.

Operator

Elyse Greenspan, Wells Fargo.

Elyse Greenspan - *Wells Fargo Securities, LLC - Managing Director, Equity Research*

Hi. Thanks. And good morning. My first question is on just the flows within Wealth. In your prepared remarks, you pointed to positive flows in the back half of the year. Can you just comment on the pipeline and how you would expect that to transpire in the third and the fourth quarter?

Rob Grubka - *Voya Financial Inc - CEO of Workplace Solutions*

Yeah, sure. So as we talked about even last quarter, it was all about focusing on the second half of the year. So I just want to make sure that's a point of consistency for us.

So let me talk about Full Service, Recordkeeping, but I'll start with Recordkeeping. And the big thing here, actually across both, we see it. We see what's coming at us, which is why we're reinforcing the guidance around \$1 billion for Full Service and \$3 billion for Recordkeeping. But in Recordkeeping, obviously, the timeline to implement or deconvert is long and lengthy. And so those we have really strong insight perspective and knowing that those things are going to come to fruition, both on the ins and the outs, but obviously more in than out.

And on a Full Service perspective, I had a few points here, and we called it out in the material. RFP activity is up 7%. So the front door is certainly moving well. On the emerging side of it, it's a more fluid market, obviously, versus Recordkeeping. So that tends to ebb and flow a little bit more. But as you build momentum, obviously, we can see that coming at us.

And what I'd call out broadly around Full Services, known sales are up 30%. And within that, we called out mid-market, being 4x what it was the prior year. And then I'd also call out government, which is 3x the prior year. So we've got a really good view into what's in motion and coming in the front door. And then we talked about in the material participant lapses or case lapses being around 2%. So feel really good about the case level activity. And again, as we're at this point in the year, we know a lot.

And then finally, as we think about continued activity, the momentum as we move forward. We've talked about participants is an area where participant lapse has been elevated. We continue to expect it be. So that's built into the numbers that we're giving you and the guidance. So I'll pause there.

Heather Lavalley - *Voya Financial Inc - Chief Executive Officer*

And I think the only point I'd build on, Elyse, just to emphasize is the point that Rob made about known sales up 30% across all markets. So we continue to have a leadership position in the market and confidence in that second half flow guidance.

Elyse Greenspan - Wells Fargo Securities, LLC - Managing Director, Equity Research

And then my second question is on the Investment Management flow guidance, right, the 2% target for the year. If we look at the flows in the second quarter, that does imply somewhat of a slowdown in the back half. I just want to see maybe there's some level of conservatism there. Are you expecting a slowdown within net flows in the second half of the year within the 2% full year IM guide?

Matt Toms - Voya Financial Inc - CEO of Voya Investment Management

Thanks, Elyse. We're obviously very happy with the \$4.8 billion in the quarter and \$5.3 billion for the year. As we look forward, we're also pleased by both the backward look on the diversity of those flows and the forward look. The 2%, we're trying to give a number that's repeatable quarter-to-quarter flows are very difficult to forecast. We want a sustainable flow rate and growth rate for the business.

And if we look forward for the rest of this year and the momentum we have across both the institutional channels, where \$2.5 billion for the quarter in insurance is a big mover. There's also some meaningful momentum on our pension side. Those are lumpy. We pointed that out in prior quarters. But beyond that, the breadth of that retail flows, both US and international, of nearly \$1 billion each, really builds our confidence around that 2% growth target longer term.

And then lastly, we've mentioned multiple times, and Don mentioned in his prepared remarks, the private fund launches in the second half of the year, we still expect those to come and that breadth of activities is what build that confidence.

Heather Lavallee - Voya Financial Inc - Chief Executive Officer

I would just add, really proud of the transformation that Matt and team have delivered. Really, really pleased with the quarterly results and the guide for the full year. And the other point I would add on Matt's comment is the strength of the investment performance. So it really goes to the breadth of the solutions, the demand we have and the investment performance really giving us confidence in that full year outlook.

Operator

Tom Gallagher, Evercore ISI.

Tom Gallagher - Evercore ISI - Research Division - Senior MD

Good morning. A few questions on the Health business. First one is, what kind of rate increases are you planning on Stop Loss? When you think about '25 renewals, and what would you expect that to do to top line? I presume we're not going to see 20%-plus top line when you think about how this plays out into 2025. But curious how you see the interplay between those variables.

Rob Grubka - Voya Financial Inc - CEO of Workplace Solutions

Yeah, sure. Thanks, Tom. So on Stop Loss, we've laid out, we're sort of guiding to that higher end of the loss ratio and what we expect to see. So you can imagine that's going to put pressure on, as to your question, what we're going to go out and get from a renewal perspective.

What I do is really just, without giving you an exact number, to take you back to 2017 and the transition into 2018, we're targeting a very similar overall increase in rate. And so what you saw at that point in time was basically flat growth in Stop Loss. But what I think about in this environment, given the size of our business, is obviously very different. Overall, we have been reinforcing the growth of 7% to 10% overall. And so will it be less than that? Probably as we push on rate, but at the same point, we don't expect it to be zero.

So as we think about the book of business, we still expect to grow it. We'll see how that plays itself out in the third and fourth quarter as we go get the rate. And we're going to completely prioritize getting the margin where we want it to be, as you would imagine, expect us to say. But we'll see how it plays out. We'll be able to come back and give you perspective as we get through third and fourth quarter obviously, and dial that in a little bit more deliberately.

Tom Gallagher - *Evercore ISI - Research Division - Senior MD*

That's helpful color, Rob. Appreciate it. My follow-up is just on the fee margin in the Health business. I noticed that was down a little bit year-over-year. And I'm assuming that's mainly Benefitfocus. But maybe can you comment on maybe overall, how Benefitfocus is playing out? Heather, I think you mentioned 20% plus growth in Net Promoter Scores. But how is that translating into revenue and margin growth? Thanks.

Rob Grubka - *Voya Financial Inc - CEO of Workplace Solutions*

So let me start with the quick one on the fee level. Within Benefitfocus, there's a service they provide around Affordable Care Act and IRS reporting that needs to be done. And so there's a blip in fees in first quarter, so I wouldn't read into that as anything other than normal seasonality.

And I'll let maybe Heather just hit the high level on Benefitfocus and the excitement we've got around that business.

Heather Lavalley - *Voya Financial Inc - Chief Executive Officer*

Yes, Tom, maybe I'll build on as we've been talking about for a good 1.5 years now is. We really like the strategic capabilities that Benefitfocus brings to our broader Workplace Solutions. And it's beyond just the fee revenues we're able to drive in Benefitfocus. But you heard in my prepared remarks, it is going to be a significant driver of our HSA sales. It's also a driver in sub-Health sales, really gets us at the center of participant engagement more broadly, particularly within the Health ecosystem, but across all of the Workplace. So I really go back to beyond just the fee revenues that show up within in Health, it's the bigger strategic capabilities that will emerge in the coming years from these capabilities.

Operator

Jimmy Bhullar, JPMorgan.

Jimmy Bhullar - *JPMorgan - Equity Research Analyst*

Hi. First, just a question on medical Stop Loss. Could you go into a little bit more detail on what are the cohorts by year that are actually driving the bad performance? Because I think we've been talking about medical Stop Loss for almost a year now. And then I have a couple of follow-ups on that.

Rob Grubka - *Voya Financial Inc - CEO of Workplace Solutions*

Yeah, sure. I'll give the high level, then you can certainly pull me deeper where it's helpful. So Jimmy, as we looked at and talked about things sort of as the year finished, we got into first quarter and then again, in this quarter, the biggest driver has been or changed from what we had expected was 2023. So that's still the case. So you can think about that being in that 80% to 83% range, but at the lower end of it as we're seeing the results really firm up and finish up. There's always sort of 15-ish-plus month timeline for the business. And so that's really getting close to completion of that at this point and won't be a surprise as we move forward.

And then you connect that to '24 and what we saw happen before we set the targets and the renewal expectations was really the '23 performance and how that heated up at the end, given the deductible levels that we use in our business. And so that influences our view then of '24 and where

that's running the guide that we've given you of the 80% to 83% that's our best guess at this point. It's very early in the '24 experience. So you're really talking about 20% of the experience has emerged. So you got another 80% to go. So we'll learn some more in third quarter. Fourth quarter, it will really show itself, and then we'll have more completion as we get into first quarter.

So hopefully, that's helpful on sort of the underlying pieces of it. But again, I think about that 80% to 83% as we think about the full year. I then step back and think more broadly about the Health business. We talked about the 69% to 72% aggregate loss ratio being north of. And so I would think about that between 72% and 73% is our best view at this point.

Jimmy Bhullar - *JPMorgan - Equity Research Analyst*

And then is it reasonable to assume that you're repricing up the 25 years, and that's like, I think, almost 80% of the business will renew at 1/1. That in '25, assuming you price at a normal margin, your reported margin might still not be normal, given what happens with '24 and '26 might be the first year where you get to a price for margin on a reported basis?

Rob Grubka - *Voya Financial Inc - CEO of Workplace Solutions*

Yeah. No. I appreciate the push on that, Jimmy. As I would think about it and our plans and expectation is to get back into the target loss ratio range. So as we think about that 77% to 80%, that is absolutely the marching orders, the goal and the expectation. Now, it's a market, it's competitive. We'll see how things ultimately play out over the next quarter or two quarters, and we will continue to update as best we can. But the main point I want you to walk away with is we're going to strive very hard to get to the 77% to 80%.

Heather Lavallee - *Voya Financial Inc - Chief Executive Officer*

Yeah. And Jimmy, if I can build and just add a few more points, as we've provided in the appendix, that Rob and his team have a track record of managing this business, driving growth while managing the loss ratios within the 77% to 80% range. Many of those years, the loss ratios actually came below. And as we've talked about, the team also has a track record of being able to get rate increases in the one year that loss ratio because were elevated. And so I have incredible confidence the team will be able to execute on that this year.

But I think the broader step back for folks to take away is why do we like this business. And why do we continue to like the business? And it really goes to the point that Don emphasized on the call, the fact that we have secular tailwinds, we see more and more employers that are choosing to self-fund. There's a natural medical trend in terms of the Health trend increases. And we also have the protections on the book of business in terms of our ability to reprice it and reinsurance on the book, and it has continued to be a positive net growth of earnings for us, and we expect it to be going forward.

Operator

Ryan Krueger, KBW.

Ryan Krueger - *Keefe, Bruyette & Woods, Inc. - Managing Director, Equity Research*

Hey. Thanks. Good morning. I had one more on Stop Loss, maybe just directly to ask. Can you just tell us, if you just remove 2023 development, what is the 2024 Stop Loss ratio year-to-date?

Rob Grubka - *Voya Financial Inc - CEO of Workplace Solutions*

Well, look, you should think about it as in that 80% to 83% range that we've given you, I won't say more at this point, just given the early nature of the actual experience, we're really looking at '23, how that ultimately finished up. And so that's influencing what we see today.

Again, as a reminder, the higher deductibles, you just don't see a lot of the actual experience develop until later in the year. So that's the clearest answer I can give you at this point. But obviously, we'll be back in three months, and we'll be able to talk more about what we've seen and how it's evolved from there.

Ryan Krueger - *Keefe, Bruyette & Woods, Inc. - Managing Director, Equity Research*

Okay. Thanks. On the \$14 billion of Venerable AUM that's expected to leave, can you give us some sense for what the fee rate is on that? And anything on like the pace of how that will come through over the next year?

Matt Toms - *Voya Financial Inc - CEO of Voya Investment Management*

Yeah, Ryan. Thanks for the question. Venerable, of course, we've seen this coming for some time. This was the divestiture of our annuity business back in 2018 and largely passive quant equity related, lower fee products. So think of that as being meaningfully below our average fee rate as a blend of products.

The total book, as Don mentioned, \$14 billion AUM, \$4 billion AUA. We've been working closely with Venerable over the last six-plus years to coordinate. We anticipate half of that, so \$7 billion AUM in the second half of this year and half the AUA, so \$2 billion AUA. The remainder will be in the mid of 2025.

Now, importantly, these assets are legacy assets that have been in runoff are not part of the primary growth initiative of the company. And as Don mentioned, the financial impact, both revenue and earnings, has been fully embedded in our guidance and continues to be fully embedded in the guidance. So again, something we planned for, well-coordinated. The growth areas are clearly more in the US institutional, intermediary, international areas that we've referenced that are driving the growth currently.

Operator

Wilma Burdis, Raymond James.

Wilma Burdis - *Raymond James - Director - Equity Research*

Hey. Could you guys talk about the decision to refinance the \$400 million of debt that was coming due in 1Q '25? And will that have any impact on 2025 earnings? Thanks.

Don Templin - *Voya Financial Inc - Chief Financial Officer*

Yeah. Thanks, Wilma. So as you know, we have that \$400 million that's coming due in early 2025. As I said, we expect to refinance the full amount. And that was really, that decision was based upon the fact that our balance sheet is really well positioned. We've been very prudent about how we position the balance sheet. Our leverage ratio is 28%. So it's comfortably in the range of that 25% to 30%. And I think sometimes people asked a question about what could be a barrier? I see really no barriers at this point to refinancing that full amount.

Wilma Burdis - *Raymond James - Director - Equity Research*

Thank you. And then looking into 2025 EPS growth, should we expect any tailwinds from the improvement in the Stop Loss business? Thanks.

Don Templin - *Voya Financial Inc - Chief Financial Officer*

I'm sorry, I missed a little bit of that.

Wilma Burdis - *Raymond James - Director - Equity Research*

Yeah, into 2025 EPS growth, are there any possible tailwinds from Stop Loss starting to normalize? Thanks.

Don Templin - *Voya Financial Inc - Chief Financial Officer*

Yeah, sure. The results that we've delivered this year have really been with that headwind that we've had around Stop Loss. We fully expect, and Rob and the team are committed to getting us in that target range, [stop loss] (corrected by company after the call) ratio target range of 77% to 80%. And when they're successful doing that, that will obviously be very beneficial and helpful to our EPS for 2025.

Heather Lavallee - *Voya Financial Inc - Chief Executive Officer*

And I think, Wilma, one thing I would build on is if you look at what we're expecting for EPS growth, we're close to double digits over actual from prior years. And one of the things that I would say we're particularly proud of is the ability of this team to actively manage both our revenues and our spend as well as our capital that is helping to drive the EPS growth within this year. And we'll come back and as we know more and give you more guidance going into '25.

Operator

Wes Carmichael, Autonomous Research.

Wes Carmichael - *Autonomous Research - Senior Analyst*

Hey. Good morning. I had a question on the reiteration of the EPS guide, it seems to imply that there's a little bit of a sequential slowdown in the second half of the year, at least relative to the second quarter. I think there might be a little bit of earnings compression coming in Wealth, but are there any other drivers that you can kind of point to get to maybe the midpoint of that range?

Don Templin - *Voya Financial Inc - Chief Financial Officer*

Yes. I guess there's a couple of questions that have come out since we actually put the deck out. One was what is the starting point for that EPS guidance. So I want to make sure that people know the starting point for that EPS guidance is actuals for the first six months of 2024 and then the forward look for the remainder of the year. And the items that are impacting that look, I mean, I think we've tried to be very transparent around providing sort of a modeling considerations for both the third quarter. So a lot of that information is on page 21 of the deck as well as the items that could potentially impact that guidance.

So you think about -- we have sensitivities on page 21. Health underwriting, obviously, is an item that we're watching closely. Equity markets have been very favorable, but we're watching that closely. And then alternatives, they've been performing close to our long-term expectations, but we are monitoring that as well. So those are the things that I believe are impacting the view around the remainder of the year. But the team has done really, I think, an amazing job of taking management actions, managing expenses, still investing in growth and delivering that \$8.25 to \$8.45.

Wes Carmichael - *Autonomous Research - Senior Analyst*

Got it, Don. So the first half of 2024, that's based on actuals and then going forward, it will be on a normalized basis, right? Is that the right way to think about it?

Don Templin - *Voya Financial Inc - Chief Financial Officer*

Yeah. I mean our long-term assumptions assume sort of the 9% for alts on a normalized basis. But the starting point is actual, not normalized, actual for the first six months.

Wes Carmichael - *Autonomous Research - Senior Analyst*

Understood. Thanks. And then just my follow-up, just on the Stop Loss, I just want to make sure I'm thinking about it like mathematically correctly, right? The 80% to 83%, I think in the first quarter it was a little bit over 84%, in the second quarter a little bit over 83%. Like should we think, Rob, like it should come in below the 83% in the third and fourth quarter?

Rob Grubka - *Voya Financial Inc - CEO of Workplace Solutions*

Yeah. To end up at the 80% to 83%, you've got to have that help. And so the context I'd give you on first and second quarter is, again, back to the timing of how experience emerged. And so there's an element of catch-up that occurred in first and second quarter across the '23 book given the more data that came in on that. And then more tightly aligning what we were seeing initially emerge in '24.

So that pushed up those numbers a bit. You can think about it within the quarters. But again, a big part of that was just getting the ending point right. And so the pace through the quarters showed itself a bit more in first and second. But again, the 80% to 83% is what we [doing] year round.

Wes Carmichael - *Autonomous Research - Senior Analyst*

Thanks.

Operator

Suneet Kamath, Jefferies.

Suneet Kamath - *Jefferies - Equity Analyst*

Yeah. Thanks. So I guess, Rob, on the Stop Loss, is what's happening now similar to what happened in 2017 when you had to correct? Because I'd imagine the book is much bigger. So I'm just trying to figure out if that's really the right precedent to use when we think about this business improving going forward?

Rob Grubka - *Voya Financial Inc - CEO of Workplace Solutions*

Yeah. So look, I wouldn't think about it from the perspective of getting and achieving rate we're going after a similar rate. So we'll start there. Is the book a lot different? Is it a lot bigger? Absolutely.

What is also a bit different from that point in time is just -- and we have talked about this a call ago, but '22 ran so well. And then you had '23 that move to the higher end of the range, beyond the range at this point. And so there was a different dynamic in just the book and the market that I would call out.

And so what do I mean by that? Well, when you've got your book running really, really well from the '22 business going and getting an achieving rate based on that is just different, right? You've got a different set and mix of business that was cases running super well and in cases running not great, but not as bad as we would tend to see in a normal kind of environment. So it was a bit more barbelled than what a barbell business always is because those cohorts look very different.

As we sit here today, though, what I'd give you and what we view as a confidence point is we understand what we got to go get. We're very clear on that. We're aligned from underwriting to distribution. We've been very clear in market what we're trying to do and achieve and why.

And then as we think about the execution, what we've seen around our 7/1 renewal business was we got significantly higher rate than we did for 1/1. We had decent retention. And so those things start to give you the confidence, give me the confidence that we're moving, the market is also moving. We're hearing noise from other competitors. And so I don't think we're alone in going to get more rate than we might in a traditional year.

But let me stop there or Heather, you want to add on?

Heather Lavallee - *Voya Financial Inc - Chief Executive Officer*

The only thing I want to add, Suneet, is that I think what is the same is this is the same management team that was able to execute on that rate action back in 2017 heading into 2018. And that gives Rob and I incredible amount of confidence in our ability to do so now and the fact that we're already demonstrating that execution with the midyear increases.

Suneet Kamath - *Jefferies - Equity Analyst*

Okay. And then maybe just pivoting to Wealth Solutions. Don, I think you referenced a decline in spread-based assets in Wealth. Can you just remind me kind of what's driving that?

Rob Grubka - *Voya Financial Inc - CEO of Workplace Solutions*

Yeah. I'll go ahead and start if Don may want to add color, though, as well. But look, as you look at the result, and like, well, it's a great result. We've had two quarters of great results. I'd give Matt and team a lot of credit around what they've done to reposition the general account, reflecting what we've talked about over a number of quarters now around the participant lapses that we've been seeing and putting pressure on the overall level of AUM. We've gotten smarter and more disciplined around how we manage cash and flow.

So I think it's been a number of actions, and then we'll continue to seek out and take action as we move forward. But the guidance, as we think about the forward view factors in, as I alluded to before, the forward curve and then a continuation of what we've been seeing from a participants out perspective to get us back in that \$220 million to \$230 million range.

Suneet Kamath - *Jefferies - Equity Analyst*

Okay. I just wanted to clarify one thing because I thought, our conversations last night, that you guys were talking about the withdrawals being sort of driven by higher equity markets and that sort of drives up the nominal amount of withdrawals, but that wouldn't be affecting the spread-based asset thing. So I was a little confused by that commentary relative to the spread-based piece.

Heather Lavallee - *Voya Financial Inc - Chief Executive Officer*

Yes. It's Heather. I'll jump in and take that. So what we've been referring to there is that in elevated equity markets, you're going to see participant account balances that are higher. So when they do a surrender, you're going to see higher participant surrenders. And so that was one of the things that we would point to for 2Q.

I think to your point, which is that that's sort of separate from the general account, what we have been talking about for the first half of the year is seeing lower general account assets that were the result of participants surrenders being able to get a higher crediting rates in other products.

Now, what we would point to is we did start to see some marginal improvement in participant surrender rates in second quarter. But what we're giving you is our best guide on the second half is that we still expect to see a participant surrenders a bit elevated on the general account, and then we'll begin to see what happens with interest rates normalizing. But again, I go back to the point that Rob mentioned, which is our ability to drive really strong spread revenues and Matt's team being able to generate real strong returns on the general account, we're overall incredibly pleased with our Wealth results.

Operator

Joel Hurwitz, Dowling & Partners.

Joel Hurwitz - *Dowling & Partners Securities, LLC - Analyst*

Hey. Good morning. Just a follow-up on that question. Can you actually give us a number of where you expect the Wealth spread assets to end the year? And then is there anything you could do to, I guess, drive higher retention or new business to the spread business there?

Rob Grubka - *Voya Financial Inc - CEO of Workplace Solutions*

Yes. I don't think we've given an absolute number on the AUM ending point. I think what we've tried to say is assume a pretty consistent level of activity to what you've seen over the last handful of quarters. I think it will get you to a reasonable number, and I'm sure off-line, the IR team could help validate the math with you.

Look, from a drive and activity perspective, let me spend a little bit of time there. We've introduced new product here over the last number of months, both a fixed rate product as well as also improvement or evolution of our stable value offering. We continue to remain focused on how do we help educate, guide, and help employees make a decision when they're facing decisions to either stay or go in plan.

Something you may not necessarily think about. We talked about and highlighted the focus around managed account. What we've actually seen in the data is that influences people sticking around and staying with the product. And so once they get used to getting guidance and advice around the decisions they're making, they tend to be a bit stickier, so that's a lever.

I think the important point here is there's no simple answer to this. We're taking a number of different actions. We study the data. We're going to study how different approaches to marketing and educating certainly help us. And then we've also talked about and highlighted the focus that we got on the Retail Wealth Management business.

So that's at a really important lever for us as we called out in the material. They touch in one shape or form, \$100 million of our assets. And so it's a really important lever for us that 500 employees that we've got focused in on that and how they can again help educate, guide and engage employees, not only at the time of decision to leave, but while they're in plan well before that. And then even opportunity outside of plan. So it will take a number of actions, but we're focused on executing around that having an impact.

Joel Hurwitz - *Dowling & Partners Securities, LLC - Analyst*

Okay. And maybe sticking on that on the Retail Wealth Management. What are you seeing from ability to capture out-of-plan assets or even retain assets at Retirement?

Rob Grubka - *Voya Financial Inc - CEO of Workplace Solutions*

Yeah, sure. So it's a bit of a sort of two stories, I guess. As we've made the decision to keep the strategic part of the retail asset -- advisor business, that's a team that's long been focused on the workplace. They've long been focused around the tax exempt market. And so there are -- we would call our results around retention strong to certainly market comparable.

And when you get to the corporate side of the house, so that's the area where we really think there's a ton of opportunity, not only within Full Service but Recordkeeping as well. And so we see a lot of opportunity as we look at investment, both from a technology and a people perspective, that we've got a lot of room to grow the impact of that team.

But let me see if Heather wants to add some more overarching comments.

Heather Lavallee - *Voya Financial Inc - Chief Executive Officer*

Yeah. I mean this is one of the areas that we've been talking about where we're investing for growth. And as Rob mentioned, it's adding field and tone-based advisers, it's improving the technology for them to have a better experience and drive a better outcome for customers.

But what I would point you to specifically is if you look in the investor sup, we talk about retail assets, and you'll see year-over-year 10% growth in retail assets. And so that's one of the areas that it shows up. We also have IRA solutions that are sold to other Retirement participants outside. We've got some competitive proprietary products. And then across our broker-dealer, we also offer other companies' products like life and annuities that allows our advisers to still participate in those -- in the growth where we're able to generate some additional fees, but we don't necessarily have to incur the tail risk of those products.

So lot of different levers for us to pull, and this is going to continue to be a focus for us, and it goes back to at the end of the day, doing right to meet the needs of the end consumer, which are looking for a more holistic education, advice and guidance.

Operator

Mike Ward, Citi.

Mike Ward - *Citi - Analyst*

Thank you. Good morning. I was hoping we could maybe dig a little bit into the Investment Management inflows. Super strong rebound, just I guess, wondering if there's any more color around the composition of the assets that came in this quarter?

Matt Toms - *Voya Financial Inc - CEO of Voya Investment Management*

Yeah, Mike, let me unpack that a little bit for you. So we mentioned the breadth. Obviously, very happy with the \$4.8 billion flow for the quarter. Fixed income through the insurance and pension channel really stood out. We have very strong performance at the right time in the fixed income cycle where we see demand, a quite strong on the institutional side. And we believe growing, as we look forward on the more the intermediary retail side.

So fixed income, clearly a standout. Also, our privates and alts businesses continues to perform quite well. We have more fund launches coming at the end of the year, and we continue to grow new capabilities there. That's the key underlying driver.

And then really, the change on the quarter was the bigger inclusion of our US retail business. So international retail has been quite strong on the back of the broader array of strategies we acquired a couple of years ago. Within the US, we're seeing our model business, our fixed income business and our private equity secondary interval fund business continue to resonate in the marketplace. So really, it's the breadth that's driving that. As we look forward, we see more of the same coming.

The one I mentioned that I'd have there is internationally, it's been retail oriented. I'm excited in the future about that expanding into the institutional space as well through a broad array of products, both fixed income, private and equities. So quite excited about that.

Mike Ward - *Citi - Analyst*

Awesome Thank you so much. And then I was hoping you guys could maybe discuss any update on what you're seeing in terms of your office commercial mortgage loan portfolio and any resolutions that you executed in the quarter?

Matt Toms - *Voya Financial Inc - CEO of Voya Investment Management*

Yeah. So it continues to be a story of resilience. I think the overall market is finding a bit of a clearing level and a bottom equity valuation starting to stabilize there. You've actually seen and read into see some bottoming. So the visibility has improved. From our portfolio, continues to be the same positioning, very well diversified, higher-quality our CM scores and our ratings and our coverages continue to hold up very well.

If we think about what our AVR experienced over the quarter, \$6 million in the quarter, really not a lot of movement. There's always going to be individual properties that you manage through, but we just don't see a real delta change in the direction of what is a high-quality portfolio performing well and well managed.

Operator

This concludes our question-and-answer session. I would now like to turn the conference call back over to Heather Lavallee for any closing remarks.

Heather Lavallee - *Voya Financial Inc - Chief Executive Officer*

With the benefit of Voya's diversified capital-light business mix, we are well positioned to achieve our financial targets and remain focused on strategic execution. We are on track to deliver our full year financial targets, and are taking the necessary action in our Stop Loss business to improve our loss ratios in 2025. We have strong commercial momentum and our focus on spend discipline and prudent capital management, while continuing to invest in growth, and we will be relentless in our customer focus, exceeding service expectations and innovating to meet their needs.

Thank you. And we look forward to updating you on our progress.

Operator

Thank you. This does conclude today's conference. You may disconnect your lines at this time. And thank you for your participation.

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