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Mike Smith *Voya Financial, Inc. - Vice Chairman & CFO*

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Ryan Krueger *Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research*

PRESENTATION

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Good afternoon. I'm Ryan Krueger from KBW. And I'm joined by Mike Smith, who is Vice Chairman and CFO of Voya. Mike, thanks for joining us.

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

Ryan, thanks for having me, and thanks, everyone, for joining. I look forward to the day when we can all do these in person again. Maybe next year, we'll see.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Yes, hopefully next year.

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

I'm looking forward to that for sure.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Me too.

QUESTIONS AND ANSWERS

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

I wanted to just start at a high level. Voya has made a number of strategic changes over the years since becoming public. How do you feel about the company's current business mix and capabilities and how you're positioned for the future after all these changes?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

Ryan. Look, I think we feel really good about the mix of businesses we have. And we also feel very good and frankly proud of the work we've done to get to this point. It's been a long, hard, challenging road. But what it leaves us with is, I think, a management team that's energized and fully focused on the future, a Board that is feeding off of that energy and an employee group that also -- we're very clear on where we want to go. We have capital-light, high-growth, high-return businesses with strong cash flow return characteristics. They are aligned clearly around the workplace and institutions.

The 3 businesses, I think, work together well. You've got the relationship between Investment Management and our Wealth business, the Retirement Plan business. I think that's very clear. You've got the Health and Wealth businesses, our Benefits business and the Retirement business is working together to broaden relationships with clients. And ultimately, we see opportunities to better integrate the Health and Wealth experience for employees to create better outcomes for them.

A great example of that is the HSA world, which is very much at the center of the intersection between health and wealth. And really, those decisions around your HSA need to be in conjunction with what are you saving in your retirement plan as well as what kind of health plan you chose. And that's where we see real opportunity in the workplace.

And so you'll see us really focused on investing in improving the degree of integration, increasing employee and employer engagement,

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looking for ways to drive data and integration and other technology capabilities to enable that. As well as, that will create opportunities in our institutional space for the Investment Management team. So really excited about where we are. As I said, it's been a journey but it's well worth the trip. And I think we're now in a position where we can think solely about where we're going.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Thanks. This is probably a somewhat related question, but you have an Investor Day planned in November. Should we expect a fairly similar format to the past where you've given us a 3-year business outlook? Any color you can -- or insight you can provide on how -- what we should expect?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

Yes. The current thing is it will be similar in content. I want to avoid the word format just because, look, the business is different, right? And the things we'll be focused on will be a little bit different. But certainly, there will be clear direction around our financial expectations. I think we want to lean in even more than we might have at the last time to the ongoing strategy because I think it has evolved meaningfully from where we were and in a way that I think will be very, very compelling to investors at least we certainly hope it will be.

I will also want to just share more about our journey in terms of the company itself, our culture our identity, our brand, our purpose. And the things that we think will enable growth. So the metrics may change here and there. They'll certainly be focused on EPS and earnings, but also, I think maybe a little more focus on revenue and revenue growth. That's been certainly in the early days of Voya, revenue was a really hard thing to even get your head around, right? Now I think it's much more clear and I think something that we're internally focused is how do we drive revenue growth. So that we can, I think, ultimately drive multiple expansion as well as demonstrate our commercial success.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Got it. Moving to the Retirement or Wealth business as it's now known. It takes a while to give you suit. But there's been certainly a pretty big pickup in consolidation. The largest players have gotten and are getting bigger. How does that change the competitive environment for Voya? And does it alter your view of scale and the capabilities that you need to effectively compete in this business?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

It's a question we get a lot, Ryan. And I think it's a very logical question to ask. And there have been a couple of big transactions. We're a top 5 player. We have a broad footprint in the marketplace across all the tax codes and from some of the very smallest companies in America to some of the -- quite some of the largest. And so we believe we have scale, we have 6 million participants. We have across our entire platform, 55,000 employers.

When you include everybody we touch across both our Benefits and Retirement business, we have 20 million participants that we have access to. So we think we operate at a scale where we have a real meaningful footprint. And so what we can do is continue to build our brand, build our differentiated capabilities, continue to operate efficiently. We'll continue to make investments in our platform, continue to use the capabilities that we have with automation and some of the partners that we work with to drive further unit cost reduction.

And we'll continue to be out there fighting in the marketplace. We've gotten to top 6 with pretty significant sized competitors already. And I think we know how to operate in this environment quite well.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Okay. Just more organic, digging into your own business organically, can you talk about the growth and the retention trends that you're seeing in the wealth business, both at the planned sponsor as well as the planned participant level?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

Yes. I think we can -- what we can share is that in full service, we've had, I think, a fairly solid so far in 2021 with a little over 1 billion of full-service net inflows for the year. Participants surrenders have been in line with -- in terms of the number of surrenders, but -- and you've heard other -- some of our peers have talked about this effect as well as given the really strong equity market growth, that -- while

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the same number of surrenders are happening that we would have expected. The dollars that are coming out are typically a little bit higher.

And so that's putting a little bit of a headwind on net flows, whereas the revenue piece or the inflow pieces, I should say, not revenue. While asset transfers are probably also benefited by that effect when we bring in a new case, deposits really aren't. And so that's where you're seeing a little bit of a headwind there.

But overall, our deposit growth has recovered nicely from last year. We're expecting to see 6% to 8% recurring deposit growth this year, well on track to be within that range, and we'll continue to see that. Our RFPs are looking very strong in terms of future flows. The volume of RFPs is up over 50% year-over-year. Now I think some of that is COVID related, where a lot of activity last year was just put on hold because there were just bigger fish to fry for our customers and -- but now they're taking another look.

In the recordkeeping side of the business, where last year, we had $24 billion of net inflows, and we've had very strong results over the last 2 years. We did have modest outflows last quarter, and we are expecting to be net negative for the year. And that's really just a factor of the timing of one particular case that will be leaving in the back half of the year as well as that participant surrender effect I talked about creating again a little bit of a headwind.

But as you look at -- the thing about net flows is even a year sometimes is not a particularly strong indicator and in the record-keeping business, especially where some of the plans are quite large, there could be a 12- to 18-month gestation period from quote to close, and it can be lumpy. But we look at the overall arc of the growth, the record-keeping business, and we're very pleased with that, and we think the prospects there are quite strong.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Thanks. There's I think always been for as long as I can remember, there's been a lot of discussion about fee pressure in the Retirement business. Can you talk about what you're doing to manage through this? And I think also, if you can give any context about how it differs between some of your different markets, full service corporate tax exempt and recordkeeping?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

Yes. Ryan, and I've been in and around the Retirement business for 25 years now. So at a competitor where I was very close to the part of their 401(k) business, and I can attest, fees have always mattered. They will continue to matter. And so I think what's happened though is that the fees have reached a point where if you're not pretty efficient, if you haven't invested in your platform, if you aren't at a reasonable scale, then it becomes very difficult to make it work. And so that's, I think, where the -- particularly some of the concern around fee pressure is emerging.

Look, we do expect continued compression in revenue. If you look at the overall fee rate, it's been running about 1 basis point a quarter. It's been a little choppy, but that's kind of the overall trend I think it's going to be a little -- for the next year or so, it will probably continue at that rate, and then we think it will slow down. That's not all though kind of traditional compression. Some of that is business mix and it's being driven by -- for us by the fact that we're shifting some of our mix into some larger -- like a midrange larger plans where we've been less prevalent than in some of the smaller cases. So those would just naturally attract a lower fee. And so it's very natural that you'd see the overall fee rate.

But we're very focused on driving sales that are profitable. Now we have a very disciplined pricing process, and we think that, that will overall be accretive to the bottom line. The other thing we can do, and we mentioned this earlier, right, is just continue to invest in efficiency initiatives, continue to invest in technology and not only to make it cheaper but also to make it a better experience for customers, right? Because part of combating fee compression is creating a differentiated offering that can warrant a somewhat higher price, right? Where you're delivering more value than the competition. Where you've got a culture or a set of capabilities that attract people and can earn you the opportunity to maybe slow some of that compression itself.

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In terms of differences between the markets, there's not really a strong differentiation that I could point to. I mean, tax exempt because it tends to have a much higher spread-based component. That's kind of a different dynamic. But in terms of like base recordkeeping fees and compression, I don't think there's a huge difference to really point out one way or the other that would be helpful.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Got it. Maybe I'll go to the spread piece next. You spread income in your wealth business, I mean, it's held up quite well. It's in my view relative to the interest rate environment. Can you talk about some of the actions that you've taken to preserve spread both, I guess, on the investment side as well as actions on minimum crediting rates?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

Yes. I'll start on the investment side. And one thing we haven't done is really stretch out on the risk spectrum, right? I don't -- we've been very disciplined around monitoring our overall weighted risk -- weighted average risk profile. We've managed to appropriate capital levels and so on. So we've not done any kind of stretching there. We've maintained discipline around duration and asset liability matching, all of those things. But nonetheless, I think we have a very creative and strong team on the asset management side. And I think that's also borne out by the fact that we've been gaining opportunities with other insurance companies to manage their assets. I think there is a track record there.

And so I think they found ways to find attractive investments, attractive properties to help forestall some of that. In terms of crediting rate, we've taken some actions over the last year or so. We saw some room to do there. And if rates continue to stay really low, then there's probably some potential there. But to be really transparent, there's not a lot of room there. We did take action though, a few years back as those of you who have followed us for a while will remember, we did close off some of our older legacy guarantee accounts that we're crediting or were -- had minimum guarantees of 3% and some were even at 4%.

We shut down new flows into those and basically directed any new flows into the fixed account into a new account. We still have those old accounts. Those are still -- the 3% guarantees are still out there. But as people transfer money out of them into variable accounts, and we're seeing some of that, particularly with the equity markets doing what they've been doing, 3% maybe seemed okay at some point, but it doesn't seem so good in 2021, right? So once -- if that goes back into the fixed account, it can't go back into the 3% or 4%.

So doing things like that has helped preserve the spread. There will continue to be pressure. I mean, there's no question about that. Over time, we'll continue to see some degree of erosion. We've given sensitivities in the past of a 100 basis point move downward creates a $10 million to $20 million annual pretax impact that 100 basis point up is $20 million to $30 million pretax. So those continue to hold in terms of our expectations from a big move. I don't -- it'd be pretty hard for it to go down 100 basis points from where it is, but it is possible, right?

So but it will be over time, there will continue to be a headwind there.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Got it. You mentioned this a little bit in your opening, but I wanted to touch on that more, which is, an update on your efforts to have the various Health, Wealth and Investment Management businesses better work together to drive, I guess, both growth opportunities as well as probably efficiencies on the expense side.

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

And this will be something we really focus on Investor Day, right? And I think there will be a great chance for us to tell the story. But maybe I will give you an example, but first just we're very much focused on driving better financial outcomes for the end customer. I mean, that is how we're approaching the design of our offerings, right? So -- and we believe that creating a more integrated experience and we talked a little bit about the HSAs and how those choices need to be made in the context of the overall position of the employee. And ideally with some information about their situation.

We think we have -- we're uniquely positioned in many ways to provide really good support. And so we're looking at tools that would help drive that. The guidance tool would be one thing that we're looking at rolling out over the coming months. It's in beta now. But the kind

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of thing that I think help us demonstrate that there is in fact value through this integration of health and wealth.

When we talk about HSAs. I mean I think the focus on that is it touches all 3 businesses, right? I mean it touches the health and the investment and the Retirement business. And so all of those, I think, come together in a way that really demonstrates the power of having all of this under one roof.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Thanks. Shifting gears a little bit to the balance sheet. So you have increased buybacks a fair amount in the first half of the year. That said, you do also still have $1.5 billion of excess capital. So can you discuss your future priorities for excess capital deployment as well as is there some level of cushion you always want to hold there or could you ever foresee a circumstance where you truly work it down closer to 0?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

Yes. Sure. And you can imagine we get this question a lot too. Look, I think the priorities we've had remain -- what we've had for some time, right? I mean we're always looking for opportunities to invest where it makes sense to do so in the growth of the business. I mentioned earlier that we are very focused on driving revenue growth going forward. And so we want to be sure that we're not starving the businesses and just organic growth investment opportunities. We'll continue to be very focused on returning funds to shareholders where that makes sense, both through dividends and share repurchases.

And we'll look for inorganic opportunities where there's a really strong strategic fit and where financial hurdles are met. And those hurdles relate particularly to comparing the value we get from the inorganic to share repurchase, in particular, right? So fundamentally very focused on just driving shareholder value through all 3 of those. So those priorities remain intact. The expectation for 2021 is that we would achieve at least $1 billion in sales -- in share repurchases, excuse me. But -- and we've taken a big step toward getting that at $800 million year-to-date, I think, as you mentioned. So we'll continue to look for opportunities to ratably over the balance of the year to put that capital to work, barring, finding a better opportunity in the meantime.

We will also need to pay down debt. We did a little bit in the beginning of the year. The predominant balance would be a little over $500 million to do over the course of 2021. That will happen -- we're expecting it to happen over the third and fourth quarter. That's a little bit driven by market events and timing and so on. But our leverage ratio is actually at a place where we're not in a position where we're forced to do something quickly. We've got a little bit of, I think, headroom there if we needed to put it off for whatever reason. But I'm not expecting to do that. So we've been putting the capital to work toward share repurchases and debt pay down predominantly.

In terms of cushion, just to remind everyone, what we target right now is we do hold $200 million of liquidity at the holdco, that's viewed as required. And we hold 400% RBC in the life insurance operating companies, the 3 operating companies that we still hold. And everything beyond that is considered excess. And so we don't have a cushion in mind. So if circumstances were to allow or suggest it would be prudent to lean in hard on purchase of -- repurchase of shares or some other activity. I think we'd be very comfortable taking that excess down to 0. There's no thinking that, that is an explicit cushion that we're going to maintain.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Is there any consideration to -- given just the meaningful change in your business mix to lowering the RBC target?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

So that's a conversation we have on a regular basis with the rating agencies, right? I mean the RBC target, left to my own devices, when I choose 100%? Yes, probably not, right? But that's what the rating agencies believe is prudent in order for us to maintain the ratings we have. And we're at a basically at A flat with two of the agencies, A plus with another one in terms of insurer strength rating. We think that that's the right ratings level for us to be at. In order for us to continue to have strong commercial success in particularly our stable value business, where that's somewhat rating sensitive. And our Benefits business is also somewhat rating sensitive or at least as a screening criteria.

So we'll continue to have conversations with the rating agencies about what we think the right level of capital is in order for us to

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maintain the current rating. One of the agencies, by the way, does not use RBC. They have their own proprietary formula. And so that doesn't always move in tandem. So there's a -- it's a more complicated picture than just picking a number on the RBC. But certainly, given the changes we've made, which from an agency perspective, it happened pretty quickly. And we're still -- we've still got to show what Voya is going to look like post transaction, I think, from a rating agency perspective. The -- they want to see us through more than a couple of quarters before they get comfortable with what the new Voya really looks like. I think that's a very prudent approach on their part, by the way. But I think over time, we'll -- if we can find ways to lower the target, we absolutely will. And I'm excluding from this conversation all the discussion around this new C1 factor. That's kind of a different animal.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Got it. Just a follow-up on M&A, which I know you're probably asked quite a lot also, but just can you give any more context to the types of M&A that you could be interested in either from a capability standpoint? And also, I guess, any commentary you can give on size that you would consider?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

Sure. So the -- in terms of the kinds of things we're looking at, I think this is -- those of us -- those of you who have been listening to us, you should hear pretty much the same words that we've been using for some time now. And that's certainly open to scale opportunities in the retirement space where those could make sense and would add some capabilities. And again, all of these have to meet the financial hurdles, right?

So there's none that are excluded from that as well on the asset management side, we've talked about the international distribution and broadening our footprint there, particularly in Asia, but globally, I think would be something that we'd be certainly interested in. As well as creating -- and we've talked about this earlier, driving more integrated outcomes across health and wealth for employees, improving employee and employer engagement capabilities that a third party could bring there as well as data integration and technology capabilities.

So those are the kinds of things that we're thinking about. All aimed though, within the framework of the workplace and financial institutions, the kinds of things that we would do would not be a left turn outside of, I think, those domains or a right turn outside of those domains. In terms of size, I mean, one deal we did do was the Benefit Strategies deal. It's fairly small.

That's certainly one of the kinds of things we'd focus on. But if it can meet the financial hurdles and be within those categories and provide a strategic fit, I don't think we want to limit ourselves to say it must be a bolt-on. That's not -- we've never, I think, ever given a view of what kind of size we would be open to. I think though the financial hurdles provide, I think, a pretty good test and give you a sense of what kind of things you'd be willing to do.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Is the hurdle still that it needs to exceed buyback accretion over, I believe, a 2-year period? Or is that about right?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

That's a very important factor for us, absolutely.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Got it. In your health business, you've had quite strong premium growth for a number of years, even through the pandemic. Can you talk about how you've been able to achieve that without sacrificing margins given the competitive nature of the market?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

Yes. Well, we are less -- we're very -- much more focused than many of the other companies in the space, right? We really have 3 lines of business of -- that we -- where we retain the risk. Because we -- our primary product offerings are Stop Loss, employer Stop Loss that is, Voluntary Products, typically, mostly supplemental health products and Group Life and Disability. And into the case of disability, we reinsure 100% of that risk off to a third-party reinsurer.

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So the growth has really been driven by the first two I mentioned, Stop Loss and the Voluntary Products. We'll first start with Stop Loss. I think one of the great features about Stop Loss in terms of driving growth is it is driven almost entirely by medical inflation and particularly for high-end medical cases and our Stop Loss where our benefits kick in would be with someone who's had an incident, an individual who's had an incident where their costs exceed something in the neighborhood of 250,000, 300,000, 350,000. Those are the kinds of deductibles that we typically operate in. So these are very intensive medical situations.

Think of premature babies or serious burns or that kind of thing, very intensive drug strategies. And I think people are -- can get their heads around pretty easily the fact that the cost of that high-end care is continuing to grow quite rapidly as a medical capabilities continue to advance in often stunning ways. So that in and of itself drives like a double-digit kind of growth in the underlying costs.

Now there is a little bit of holdback on that as employers adjust up their deductibles to limit their increase. But that business just by its nature, so long as the current underlying trends persist, should be growing at 10%-ish, 7% to 10%, regardless, even without growing the block. Now there has been some growth in the underlying number of self-funded employer plans over the last few years, and so that's going to provide an additional tailwind we would expect.

On the Voluntary side, we've made enormous progress in the Voluntary business from back when I ran the business in the mid-teens, where we were just getting started in the Voluntary space, and we rolled out a new set of offerings that included an administrative solution that was much easier for employers to share data with us. And that growth has been, I think, nothing short of spectacular. We used to be like kind of at the bottom of the league charts and now we're top 5 in supplemental health products.

We've grown 20% plus, I think, consistently year in and year out. And that's been driven by having, I think, a product that is differentiated, particularly around the administrative capabilities as well as -- look, the adoption of high deductible health care plans in -- by employers has just continued to be a driver of this. Because the supplemental health products are really needed by people who have high deductible health plans, who have $1,000, $1,500, $2,000 deductible and many people don't have the wherewithal to have that money laying around when and if an accident happens or they get sick.

And so a lot of employers are bringing that into their environment, those products, the Voluntary Products into their environment for the very first time recognizing this need. So I think last year, the coverages we placed, it was about 40% of them were brand new to that space. We weren't replacing someone else. And so being, again, a long-time participant in the industry. One doesn't often see opportunities where we're selling into sort of "virgin territory". And so that's been very exciting.

So we think we can continue to see significant growth for the reasons. I talked about Group Life will be kind of a GDP kind of grower. I don't expect that to be -- that will be more driven by employment trends, the underlying pricing there is relatively stable. It's a competitive marketplace and we'll continue to compete as best we can. But the growth will really be driven by those first two. And I expect those trends to continue for some period of time.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Got it. In Investment Management, can you talk a little bit about the new business pipeline and what gives you confidence that you can still hit the new 1% to 3% organic growth target for the year because I think it would seem to imply very large flows in the fourth quarter of the year?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

Yes. Look, I think that we've been saying for some time that the pipeline is strong, and we've been realizing that in chunks over time. I think the way we look at the pipeline is that it kind of comes in, in quarter chunks, right? So you have a pipeline and roughly 1/4 of it comes in that quarter, but we've been refilling it along the way.

So we still feel very good about the pipeline. It can be a little choppy depending on when individual cases or when individual plans or when individual customers decide to actually pull the trigger. But we continue to feel very good about the overall 1% to 3% for the year. And you're right, the math would suggest that fourth quarter would be -- in order for that to happen, fourth quarter is going to have to be pretty strong.

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I would say, second quarter -- but for the unexpected outflow related to the one -- we pointed at the -- in the third quarter call to insure a client that had sold a significant portion of their business and the assets that we're managing for them on behalf of that business are going away as a result of their divestiture. But for that, I think second quarter would otherwise be quite strong as well. So that was -- that's going to create a little bit of an appearance of a hockey stick, if you will, but it's not really -- it's a little -- it's more just the lumpiness of one particular transaction.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

And then is it -- is the 2% to 4% organic growth target that you've typically talked about still your expectation beyond this year?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

We'll talk at Investor Day about that. I don't want to get out ahead or create news today. I think that's really for us to talk about at Investor Day. And I'm not hedging because I don't want to talk about it or it's just -- I think that's better served at that time.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Got it. So another question that's come up a little bit lately, it's just that you have a distribution agreement with NN Group, and they've now are selling their asset management business in Europe. Can you -- I guess, can you talk about how this impacts you and if you need to develop a new partnership?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

Sure. Maybe just a little history first because I think it will help put it into context why we even have this relationship, right? So NN Group was spun out of ING shortly after we were spun out of ING. When we were all ING together, the investment group was one big group, but parts got kind of basically split apart into the piece that went with the U.S. and the piece that went with NN. We had a mutual agreement to continue to distribute products that each of the other manufactured. They've been a good partner with us. It's been a good relationship, I think, for both parties and has generated meaningful opportunities for both.

So it's still early in the discussions, right? There's no changes to talk about at this point. I think we wouldn't really expect to engage in any conversations until the actual deal closes and Goldman takes over control. But certainly, we've been planning for this. We've been exploring other opportunities. We can certainly -- that probably has something to do with some of the discussion we've had around international distribution and wanting to broaden our footprint there is at least a potential desire to own rather than partner, but there are also other partnership opportunities as well.

There was nothing unique about that relationship other than the historical ties. I think we still have -- we have had and will continue to have a strong performance, a strong set of products that I am fairly confident we can find other parties to help us distribute in ways that would also be mutually beneficial. So more to come on that as we go forward.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Have you already been building out more of your own distribution outside the U.S.?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

Sorry, yes, I should have mentioned that. Yes, we've made some investments in our own organic distribution over the last couple of years as well. So I think that will -- that takes time for that to get up to speed, but I think that's something that we will continue to look at investing in as well.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

And another one on Investment Management. Do you still see the opportunity to produce margin expansion in the business if you think about the future?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

Yes, we do. Look, at the last Investor Day, we targeted -- we said that we would exceed 30% operating margin Investment Management by the end of this year, and we've fallen short of that. Unless you include investment capital, which really wasn't in the assumption. So I

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don't think that would be fair and we may very well exceed 30% for the year when you include that. But that was primarily driven by the Life Transaction. I think that put a significant divot in their ability to achieve that. That was not part of the plan at that time in 2018.

So we do think, though, a 30% plus operating margin is achievable. The path and speed with which we'll achieve that is something that, again, I'm going to defer to Investor Day. I think that would be a better time to put it all into context and discuss it then with the overall. But we do think that even on a normalized basis, 27 to 30 this year is where we're going to come down. I think we feel very good about that.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

And then just one last question before we're out of time. It's just you have mentioned HSA a few times. I believe it's still a pretty small business for you at this point. But is that something that you -- it is a pretty fast-growing market. Is that something that you think can become a much more meaningful part of the company over time?

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

Over time, yes. I mean -- but I want to manage expectations that it's not going to grow leaps and bounds in the next couple of years or so. But I do think it's very -- we talked about it a lot because it's a very easy way for people to grasp this intersection of health and wealth and the need for that conversation to happen in a better way. And that, I think, is critical to understanding where we're trying to take this organization.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Got it. Right, we're pretty much out of time. So I think we'll leave it there. Thanks a lot, Mike, for participating and to the audience for listening. And hopefully, next time, it will be in person.

Mike Smith ***Voya Financial, Inc. - Vice Chairman & CFO***

That's all. Thanks, Ryan.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

All right. Thanks a lot.

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