Voya Financial Inc | BofA Securities 2025 Financial Services Conference | February 11, 2025

Josh:

Thank you for rejoining us. If you are in this room, this is the financial meeting at the Bank of America 2025 Financial Services Conference. We're really pleased here to have Heather Lavallee and Mike Katz. I'm just going to make a few comments. I think people know some of these things, but Heather's been CEO of the company for now about two and a half years, but she's probably done every other job of the company before this, including running the wealth business and running the employee benefits business. Just as some interesting facts, before you joined the company, you were at Mutual of Omaha and Sunlight before. She was awarded with the Forbes 50 over 50 list award and Hartford Business Journal's Top 25 Women in Business and serves on the board of the Council for Economic Education.

Mike's no stranger to this space, but recently he has been named CFO of the firm. People I think who know Voya associate him as the face of the company to investors, and so they know Mike for a very long time. Mike clearly is a very driving force behind the acquisitions of Benefitfocus, the Allianz global transaction, as well as the most recent, OneAmerica Financial integration that's happening right now as we speak and we'll get to that. But I wanted to give Heather an opportunity to sort of give a state of the union about what's going on at Voya right now and we'll go into some Q and A, and if anyone has questions, please raise your hand and I'd like you to ask them.

Heather:

Thank you Josh. Yeah, so maybe just a couple opening comments. We've gotten the question around as you think about '24 and reflections and then going into '25, and a couple things I would comment on is we're certainly focusing on the stop-loss repricing. Disappointed with the results, but we're making very good progress. But when I reflect on '24 and the accomplishments beyond that, our wealth earnings were up 30% year over year. Our investment management earnings were up 20% year over year. We returned the $800 million to shareholders that we had committed to through share buybacks and dividend and just generated strong commercial momentum and good expense discipline.

As we think about going into 2025, we are most focused in on really executing against those items that are going to drive significant free cash flow conversion, so very much focused in on the 90% free cash flow conversion. The things that I would mention are the stop-loss improvement. I know we'll unpack that a little bit today. We think that's going to drive meaningful growth for us.

Second is the OneAmerica integration that Josh mentioned, on track for the 200 million of revenue and the 75 million of earnings, and then continuing the strong commercial momentum across all three businesses, and we think that that will continue to carry and drive additional cash flow growth into 2026.

And the final piece I'll mention before, Josh, I turn it back over to you, is feel very, very strong about the leadership team that we have in place now. I'm very excited to have Jay Kaduson join us leading Workplace, and of course, Mike in his new capacity as CFO.

Josh:

All right. Well, even though I think that maybe there's been so much attention in medical stop-loss for a while and maybe it's been resolved, obviously it's key to the story for the last few months, so let's talk about that a little bit and get past it and talk about some other things. So a medical stop-loss, it's a very short-tailed product. Maybe I'm not explaining it perfectly well, but the claims really come at the end of the year or maybe even at the beginning of the year to follow. Can you talk about the claims emergence? When did you know things? You obviously at the end of the year gave a very wide sort of opportunity set of what might happen came in the lower end of the risk profile obviously, but talk a little bit about that and why we should be confident that the issues are resolved.

Heather:

Yeah, maybe I'll make some opening comments and I'm going to toss it to Mike. So we had been talking about stop-loss throughout last year, seeing higher loss ratios. We had shared that we grew a bit too fast and we needed to do some correction. When we made the announcement in December and we saw that the loss ratio was really elevated, I made some important leadership changes at that time and put Mike in charge of the pricing and underwriting teams to make sure we had the right discipline and focus heading into 1/1/25 and really get us to course correct. So let me just turn it over to Mike to elaborate.

Mike:

Yeah, and I think, look, we were not happy the middle of the year around where stop-loss was headed. And so December was important from a transparency, credibility perspective as we were seeing. To your point, Josh, the fourth quarter is a really important moment to get a sense on where Jan 1 claims were going, and so we needed to get in front of that. I think to the core of your question of why do we feel good about where we're headed in 2025, I think maybe first I'll just kind of talk about everything that was sold in 2024. The reserves that we put up at the end of the year in the fourth quarter, we feel a lot of confidence that it's going to be sufficient to cover future claims. And so what we talked about on the call was that we've had a chance to look at January. January is a really important month as it relates to stop-loss. You got the fourth quarter and first quarter, super key. So we got to see January. And frankly as we sit here today, you should imagine we're looking at this as a daily, weekly basis. We're also taking a look at February. Continue to feel good about the sufficiency of the reserves, that 95% we put up for the January 2024 business.

As it relates to future and the Jan 1, 2025 business, and I should say that's, call it roughly 75, 80% of the book, we feel we've done the appropriate thing both on rate and risk selection. I mean, this stop-loss really comes down to three things. It's your strategy around it. It's the rates you're going to get and your execution on the underwriting.

First on the rates, we talked about getting a little over 21% average rate on the jam business. That's average. So for poor or underperforming blocks, we got much higher than that. That's important really in making sure that we've got a healthy book going into 2025.

And then on the risk selection piece, this has really been around known claims, and think about known claims as really each year you're going to have a coverage on calendar year. And so as the underwriters are looking at this, they're looking at potential lives that are going to have claims that carry from the prior year into the current year. So this is the really known part of the book that you've got to get right on the underwriting.

And what we did in January 2025, which didn't happen to the level we would've liked in January 2024, is making sure we've got a good line of sight of how to think about those claims. There's a range of things that are going to happen. We took a more conservative point of view around that, and then making sure

we had the most current information. So these things get priced if there are individuals that have known claims, making sure we have the best currency around that.

And then I come back to the third leg of the stool here, which is around the strategic mindset of the team. And as Heather's talked quite a bit about, this is really about focus on margin versus enforced premium growth. And we feel like, look, we're talking about a 21% increase in rate and the book is down 16%, so persistencies in the 60s. I mean, we really went hard at making sure we feel very comfortable with the risk heading into 2025. So I think just in summary, Josh, I think we feel good about the reserves that were put up at the end of the year and up through February, that continues to be the case. And as it relates to the 2025 book we just priced, we feel like we took the appropriate actions.

Josh:

In terms of the business that you won for '24 because maybe you were underpriced relative to competitors, and by the way, it's worth pointing out that Cigna had issues and Everest has gotten out of the business, and so you're not the only ones, but how much business did you gain by having priced it where you did and how much of that business do you lose by being more rigorous on the pricing for '25?

Mike:

Yeah. So look, I mean, we grew the book in 2024, 25%. I mean, Heather alluded to this. I mean, it's just-

Josh:

Units or premium?

Mike:

In-force premium. And we would generally like to grow this in the eight to 12% range. I mean, that's generally where we feel comfortable. Now, where medical trend goes is really going to drive ultimate enforced premium growth because at the end of the day, we've got about a 4% market share. We like that as we're one of the key players of the third party insurance market. 4% feels about right on where we are. So just if we grow on trend, we're comfortable around that. And I think as we look at this year, to your point around competitors, we think the market's going to harden a bit. So that allows us to potentially think about what are we ultimately targeting.

I mean, Heather and I have talked a lot about this, 77 to 80%. It's a super tight range. It's kind of amazing how tight this has been over the years, our ability to get in that range, but perhaps we're aiming for a rate that's lower than that on the bottom end of the ranges to give us some more room. I mean, the risk is definitely heightened. And so I think as you think about how you should be paid for issuing these types of products, I think it's reasonable to expect a bit more margin on it. So that's another piece of it.

Heather:

Yeah. And one other stat I'd share, Josh, is when we look at what we sold for this January compared to what we sold last year, we sold roughly half new business. So it just goes back to the discipline. When you think about growing too much, this is not a product line you want to be the fastest grower in. And so we're really making sure that the folks have the right mindset to be able to really focus on that margin over the premium growth.

Josh:

And given that the claims emerge over the year, I assume most of these policies have been quoted on January 1st, or at least the ball is set in how it's going to roll at this point in time.

Mike:

Yeah, the ball's set. I think for us, and we have active dialogue on this, I think what the key thing for us is if we're surprising, we're surprising to the good. That the reserves that we put up are more than sufficient. And to your point, Josh, it takes anywhere from 18 to 24 months for the die that gets cast to be able to read the numbers. But I think we've got a pretty good sense of where the direction of travel is for 24. I think 25 more to come. We've got an 80 to 90% range out there. It's important for us to see where January 2024 settles to give a specific number on January 2025. We'll obviously come out with a pick for Q1, but where we feel a lot of confidence in is that where that ends, Jan '24, that we're going to get a five to 15% improvement relative to that finish.

Josh:

In that 80 to 90% range, that's above where you want to be. Why not take more pricing in 2025 to get you in the sub 80 range for this year?

Heather:

So a couple of things that it's super important about is the mix of business that we renew is really important and we wanted to renew healthy running cases. We renewed about 75% of those and then really take more aggressive actions on the poor performers. If we went after too much rate, you could potentially lose some of those good performing cases and not have the mix of business that you want. One of the things though that's important is what Mike has been talking about is we talked about a two-step process to repricing the stop-loss book.

Now, the silver lining of us having an elevated loss ratio in '24 that was earlier, is we were able to get out ahead of it. You mentioned competitors may be seeing some of this in their book now. So we did get the significant improvement heading into 25. We'll take that one step again into 25. And we've been talking publicly that we believe we'll be back within that target range, albeit potentially a wider range in the 26 time period. So that's really why if we took too wide of a swing, you could potentially erode and be left with a less balanced book of business.

Mike:

And maybe two forces at work here because it touches on what you were asking about, Josh. So one force at work is what we feel like we took really appropriate actions on January 25. That die has been cast. We'll see where that lands. The other force at work is we need to put a reserve up for that book of business that we feel confident is going to cover the claims. And so that's going to carry for most of 2025 until you get into the fourth quarter, it's going to get into 2026. So to Heather's point, it's still appropriate from a reporting perspective to think about this as a two-step process, but that doesn't mean necessarily we didn't get to where we wanted to be with Jan 25.

Josh:

And obviously one of the changes made, Rob Grove has left the company and you have Jake Haddison coming in. To what extent is the skill set and how to do this part of VOYA's institutional memory, and to what extent is it a few key personnel who are really directing the success of this line in particular?

Heather:

So I think within stop-loss, you've got to have, frankly... With any product line, you've got to have the right technical expertise, but you also have the right mindset to be able to pay attention and see around corners and really challenge one another. We do think the leadership changes we made that were both visible to the outside world with Rob, but also other changes we've made inside the organization were absolutely the right one and particularly having finance have good oversight of it. So we think we've got a balance of the right technical expertise, but also bringing in new thinking helps to challenge assumptions, right? If the medical industry is changing, you want to make sure that you're challenging those who might have more of that sort of actuarial technical expertise. So I think it's really a blend and a balance and I think, again, feel very good about the leadership changes that we put in place.

Josh:

And along those lines, no disrespect intended towards Don Templin at all. When Don was hired two years ago, a lot of people thought he was an unusual choice, individual coming out of retirement, former energy services executive who didn't necessarily have the background in financial services. And in terms of Mike's ascendancy to the role of CFO and VOYA telling this was always... And Don was always a transitional person for that role, and that does make sense, but there's also concern with the stop loss happening, which not on his watch particularly, but there was still a learning curve and that maybe these things should have been known earlier and do we need to be concerned about the financial reporting and other segments? I'm not trying to lay these at Don's feet or anything, and I don't think that Don's retirement had anything to do with the stop-loss at all. But at the same time, how should we proceed that the chief financial officer role, which Mike I'm sure is approaching with a great deal of gusto and whatnot, as there aren't other shoes to fall, so to speak?

Mike:

Yeah, so Josh, it's a good question. I'd start by saying I have a lot of appreciation for Don and I've learned a ton from him over the last two years. I think that's been super valuable to me and I think it's been valuable to the entire finance organization and more broadly within VOYA. Look, we wake up every day thinking about risk. If I think about the different businesses, whether it's on the wealth side or on the IM side, we understand there's not the same kind of risk that happens on the health side. I think the stop-loss piece is a very isolated event. And look, it's a piece that it gets underwritten every year. And so the downside of that, we've spent a lot of time talking about here today, and we spent a lot of time talking about it for the last six months, and I think we talked about what we're doing to address that.

The other side of that is that it's underwritten every year, and so the speed of which we get a chance to fix this is really, really important. I mean, look, I grew up around variable annuities and those are long tail liabilities, and those are long-term problems. And so the piece around stop-loss, that's the part that we really like about this product. Josh, we're always trying to look around corners. I'm not trying to suggest that that's not something we do every day, but we feel very good about the balance sheet. We feel very good about the businesses we're in. They're capital light. We feel very bullish around where we're headed in 2025 and we feel like we've got a plan that's super achievable and we're laser focused on executing it.

Josh:

Getting off, moving to other areas. Last year's guidance was that you were going to aim to deliver about $850 million of incremental excess capital generated and you were going to return 800 million of its shareholders. Because the stop loss issue didn't get to the 850 million rent, 650 million, but you did return the 800 million of capital to shareholders, but it's brought your excess capital cushion down to

200 million, which is excess. Previously running at $400 million, and with the fourth quarter 24 conference call, you announced an intention, certainly at the beginning part of the year, to slow the capital return initiatives. A lot of that has to do with putting money to work in the One American Network and whatnot, but can't help but feel that some capital was pulled forward to fulfill the $800 million desire and you'd want to rebuild that excess capital cushion. Or maybe not. What's the right number? Should you have a $400 million capital cushion? Should it be 200 million? Is rebuilding that capital cushion part of the mechanics of how you're thinking about capital return in 2025?

Heather:

I will start with the higher level approaches. Number one, we want to make sure that we've got a very strong balance sheet, that we've got an appropriate level of excess capital for the market environment we're in, and that we're continuing to drive that cash generation going forward from the success of the businesses. I'll toss it to Mike and I also want to come back to making some of the strategic investments in our business that we think are going to position us for long-term success, whether it's the inorganic of One America or Sconset Re or what we're doing with Leave Management. So maybe Mike, over to you on the excess capital.

Mike:

Yeah, we're constantly monitoring what's happening around us, Josh, and I think we were at 400, we coming off the regional banking crisis, we had this status of we're going to deploy what we generate in the prior quarter. So we stuck with that. I think we had some phenomenal uses of capital, whether it was this concept piece, which speaks to our partnership with Allianz, the One America piece that you just referenced, or some very intelligent investments around Leave Management. There's a more balanced approach to capital return this year because we were presented with opportunities around growth that we think are in the best interest of shareholders. Last year was an example, as you referenced that we returned 800 million and we're still talking about 1. 2 billion of capital return over 24 and 25.

As it relates to the 200 million, we feel very comfortable with that number right now. I think we'll be thinking about things as we get deeper into the year for next year. We'll have a earn out on One America that'll present itself in 18 months. We have some debt maturing, so we'll be thinking about those things as we head into 2026. But the capital plan is pretty clear that we're expecting to generate 750. We're expecting to put 750 to work, so that kind of gets you back to 200 million. That's our base plan, but-

Heather:

... 50 to work, so that gets you back to 200 million. That's our base plan, but we'll see how things emerge throughout the year.

Josh:

So let's switch focus to investment management. Obviously, I think that the opportunity set with the Alliance acquisition wide and great before you into fund flows have been very good. Can you talk a little bit about some of your strategies on the marketing? What's working on the retail side, what's working on the institutional side, and how Voya has been successful in tracking those flows?

Heather:

Yeah. So as you called out, really happy with the 12 and a half billion of flows in the year, over 4% growth, and what we're most proud about it is the diversity of both the products and the markets where we're able to drive that growth. So within investment management, we're really focusing in on five pillars. So the first is continuing to leverage the strength and leadership position we have in the insurance channel, serving over 70 insurance clients. That's been a great opportunity for us. Second is continuing to scale the privates and alternative space. We had some additional private launches the second half of last year that we think will put us in a good position and see those grow in '25. Third is around the partnership we have with wealth, between the investment management and the wealth arm where we're seeing some good opportunities there, particularly in target aid funds.

The fourth is as we think about US intermediary, so that's more of the retail space. We're doing some things there to invest in some product capabilities, but we've had really good momentum in modeled portfolio there. And then the fifth priority is the continued growth internationally with our international distribution partner ,and we see a lot of opportunities in Japan and in Middle Eastern sovereign wealth funds where there is a really strong demand for US dollar denominated products. So it's the breadth and the scale and the investment performance. You look at '24 and a lot of that growth came within the US, so that's really how Matt and the team are thinking about it, and we just think we're very well positioned with that momentum to carry into '25.

Josh:

Do you feel that you have the full suite of strategies available to investors to, we call it shelf space or whatnot when coming to market? We have everything or there's still some strategies that you'd like to acquire to add to your repertoire?

Heather:

Yeah, I think that the way that I would look at it is within privates and alternatives, there are some adjacencies that we're thinking about, and even in the insurance channel. We don't know that we necessarily need to acquire. We've done some interesting things through partnerships that we think positions us well to go out together, specifically within the insurance channel. When I think about US retail intermediary, that is an area where we're focused both on our distribution strategy as well as the product strategy. We had brought in a new head of distribution last year, Tiffani Potesta, who's made I think some significant changes to the distribution that aligns us better to where the money centers are located, and then we're also doing some things around a product strategy that we think will better position us in that space. And I would probably say is stay tuned, more to come. We'll give you more updates throughout the year on what those are, but we just think that that would better position us in the US intermediary market to take advantage of what continues to be just a significant market here in the US.

Josh:

I'm shifting gears to retirement. Look, Empower seems to keep growing, and with the huge comments of scale, of course, they're more focused on spread businesses and lower margin business, and you obviously want as much money as you can flowing into the full service businesses where there's a higher margin. What sort of engagement do you have with customers that keeps those assets sticky and keeps them engaged and willing to pay the higher fees for that type of service that you're getting from them?

Heather:

So when we think about our strategy within our retirement business, I would look at it as a couple of different avenues. We have been, as you mentioned, we have been quite strong in the full service business. We're able to leverage our general account. Last year, we came out with some new stability of principle solutions that had some higher crediting rates. We've also done some unique things, not only with our own target date fund, but with partner target date fund where our general account sits alongside of it. That's a great opportunity for us to think about the recapture.

When I go back to the One America and we talked about the 200 million of revenue in the 75 million of earnings. That also brought 60 billion of really full service assets and close to 4 billion of general accounts. So even though we've seen some outflows in the general account from participant surrenders, we see that as a great opportunity to add that back in.

We also think that the record keeping space where we've seen growth is a good avenue for us to grow retail. So this I think gets to the heart of your question, Josh, is how are we able to really sustain that relationship with participants when they approach retirement and they're going to go to move their money out of plan? And so think about it as we have been investing in our broker dealer. We already have over 425 field advisors. We've invested in advisor desktop to make our advisors more productive and in growing that footprint, and within our tax-exempt business, our field advisors have been a really, really strong lever for us to both retain assets in plan, but also be able to drive the retail sales.

So I think in the coming months, you're going to hear us more talk about why we think that's... We can now leverage the 8 million participants, we have the 600 billion of assets inside our retirement to be able to more effectively retain those relationships when they move out of plan through the retail capabilities. And Jay Kaduson brings that expertise having run retail at MetLife years ago, so more to come on that, but we see that as a great growth lever for us.

Josh:

In terms of the engagement with the client, do they associate their savings with Voya, and do you have any data around positive interactions that keep the investment sticky within the Voya network?

Heather:

Yeah, there's a couple of things that we do, and one of the things, we were one of the first to come out with behavioral finance within our retirement business, which is just really how do we think about how do we engage them at different times? And so one stat we often talk about is those who engage with us through our myOrangeMoney, our digital tool, have 24% higher savings rates, so they're thinking about it front and center. We also do a lot of education with the plan sponsors to drive the right plan features that allow us to both increase savings rates, but make it so that at the time as they're approaching retirement, they're not necessarily thinking about just a lump-sum withdrawal and what should I do with that? So think about auto enrollment, auto escalate provisions inside retirement plans that are increasing savings rates.

But as people are approaching retirements, there are ways to allow for installment withdrawals, or other ways that they're doing more of systematic to be able to take the money out while leaving it in the plan, which is frankly the most economic way for them to generate returns. But we do think that our brand, we take a lot of pride in the Voya brand and we think that is something that we have always had the highest association from our consumers with retirement. And now, we've really been shifting that to a focus around workplace engagement, that we can not only help them as they're thinking about retirement and approaching the income stage, but it also ties to the health benefits, making sure that their balance between their savings needs, their healthcare needs, and making sure that they've got the

right insurance products so that if there's an unforeseen event, they're not having to dip in through the retirement savings. So it's that holistic mindset that we think is unique.

Josh:

Is there any indications, trends, that Voya's shelf, the investment management shelf within the retirement sector is improving, that the success of the investment management portfolio wins mandates within the retirement network and the customers are buying Voya product?

Heather:

Yeah, absolutely. Particularly within our full service business, we have our multi-asset target-date fund. It's had great investment performance. Most often, our quotes are going out with that product solution, and so we actually see that we're seeing really good uptick in some of our larger end of the clients where a CIT structure is more prevalent. That continues to work well. And the other component I would point out is in a lot of our large business, our institutional or government market clients, we also have a decent amount of institutional assets under management where our expertise on the investment management side is coupling nicely. We're able to leverage the exposure we have with those clients to be able to just introduce new mandates. So we do think there's even more opportunity for us to grow between both retirement and the asset management businesses.

Josh:

Let's shift to benefit focus and how that's going. If I look at your financials, we get one line of information. We don't really know, how big does benefit focus need to get to create the leverage that really shows the return on that investment? Or alternatively, does the return on that investment really come from the product sold through the network that we don't actually see how they're actually hitting benefit focuses P&L...

Josh:

That we don't actually see how they're actually hitting Benefit Focus.

Heather:

So when we acquired Benefit Focus, we talked about the fact that we knew that there, this is a little bit of a turnaround. There were some investments that we needed to make and our priorities had been to focus on stabilizing service, to make sure we were well positioned for open enrollment and to be able to increase the client referrals so that we could drive more sales, and as you talk about Josh, really our focus over the coming years is to make sure we're growing revenue and we're improving margins as we integrate that business inside of Voya.

What we're very proud of in '24 was we have improved client retention two fold, or said another way our surrenders are down by 50%, so that's critically important. Our net promoter score increased yet again, up to 57. We have right now 60% of the clients we've surveyed are now willing to serve as references for us, which positions us very well heading into the selling season.

So we feel like it's a great capability, but one of the big things that as you think about Voya and the workplace, is we have a unique ability to now leverage four different administrative platforms, whether it's retirement, leave, health administration and benefits administration to influence the client experience that drives solutions and product adoption.

So one statistic that I had shared on the call is when we are going through our open enrollment season, we're able to leverage the guidance tools that we have in place and we are seeing higher savings rates. We're seeing significantly higher adoption of voluntary supplemental products. So on average we were seeing somewhere between 15 and 20% participation. When we'd take it through that benefits administration, open enrollment through guidance, we're seeing participation up to 60%, 66%, which is really significant.

So it's that type of an outcome where it benefits us when we're the product manufacturer on the shelf. It also benefits our partner insurance organizations where there's an opportunity for us to generate fees. So I think about that as it's the rising tide raises all boats, and it's a better outcome for our customers at the end of the day because they have better savings, they have more insurance protection when something happens, and it's a long-term benefit for our shareholders because we would see the revenue growth over that time.

Josh:

I think that investors have maybe a skepticism about it. I think it's not not Voya's fault. I think that maybe Assurance IQ really poisoned the market and the minds of investors. Are things running ahead of plan and at what point would you say that the proof of concept in Benefit Focus has been won and people are skeptical. There's no reason, we've already recouped our investment and it continues to benefit us.

Heather:

Yeah, I think when you look at it and from a perspective from the purchase price that we paid for what many others in the arena were paying for Ben Admin capabilities, I think we got a very fair price at roughly two, two and a half times revenue. We're a lot in the space. We're significantly higher than that close to potentially even 10 times revenue. So good price point.

What we had said is this was something that was going to emerge over a period of time. So I think about '26 we expect to see an improvement, '27, '28. And it really is the combination around earning the right to be able to grow the top line revenue, grow some of the additional solutions. One example is benefits administration now is our fastest growing lever of HAAS sales and the margins in HAAS are very, very healthy. And then the integration in the business is one where we also see we're going to be able to improve the margins.

So we knew that this was something that wasn't going to be a quick 12, 24 month turnaround, but that over the long haul that having these capabilities in our toolkit we think is something that is going to be a significant driver of shareholder value over the course of time.

Josh:

So let's talk about something that is a quick turnaround. You quoted as saying that the IRR on the One American deals among 30%, which it's 30% opposite, it's the best use of capital you can possibly imagine. How should investors benchmark the integration of One America into your business to see how quickly it's returning its investment to those shareholders?

Mike:

Yeah, look, we've talked about, I mean there's two ways you can do it and Heather alluded to this earlier on, we're going to add 200 million in revenue, we're going to add 75 million in earnings. And so look, there's some elements in wealth where last year we had a phenomenal year, margins over 40%. We've talked about just moderating that thinking in 2025 to 35 to 39%, but we're still expecting to add 75 on a year-over-year basis partly because we will offset that assuming that alternatives hit the 9%. So adjusting for macro, let's say in a macro neutral world, like you should expect to add 75 on top of the earnings last year versus this year. And that's going to be as clear line of sight as you can get on it Josh.

Josh:

And there's nothing wrong with finding a bargain and going after it. What did Voya understand that some other bidders might not have seen?

Heather:

I think a couple things was we were able to leverage the fact that we're going to be migrating these clients on the exact same platform. That was really important. That is something that we had already gone through migrations to move our clients to a more recent version of Omni. So we had the staff, the expertise. I think the second piece of it was we remained very, very disciplined in what we were going to go after. We had particular thresholds that we said we would be willing to walk away.

And I think the final piece is we had real good cultural alignment with the One America leadership team where they felt that Voya had a similar just focus in on purpose, on culture, on taking care of their clients and felt that Voya was going to be a very good home for their clients as well as their employees.

Josh:

I think that your guidance for 2025 is pretty clear. You laid it out, and obviously you've been here over two years and Rob before you, but I'd say that Mike's always been engaging and I think it's really him who's driven a lot of the message has been broken up into three year plans. There was a 2015 plan, there was a 2018 plan, there was a 2021 plan, there was not a 2024 plan. Now you might not believe in the three-year plans or schedule, and maybe there will be a plan beginning in '25. But is the pace of things, obviously nothing happens in neat three year increments, but why not have another plan officially for the next few years.

Mike:

Yeah, maybe I'll start. So look, I will be super direct on this. We've got a really important short-term focus and Heather references at the top. We're going to be all over the stop-loss piece. We're going to integrate One America and we're going to deliver on the businesses more broadly. I think it's the right question, Josh. We're having that conversation right now on does something make sense later this year that would help set the stage for longer term planning heading into 2026? But I think that would be distracting right now and our focus is clear and that's what we're all over right now.

Josh:

And I don't know, we're coming to the end. Are there any questions here in the audience? I don't want to stop anywhere from asking. I'll throw one last question in terms of, I guess, there was a recent debt maturity and obviously you have cash. Given the choice of how to return capital to shareholders and your current leverage right now and where interest rates are, in general, you don't have one coming up soon, but is your preference to retire debt or to be reissuing debt at a different coupon?

Mike:

So we do have some that's maturing very soon and we'll do that. We talked about that. We issued some debt last year. We felt very good about the rate we got, which by the way, not being in the debt markets for a while was I think a good result and a signal around how investors think about Voya. To your point, Josh, that we do have maturities next year. I think the base case for us is refinance it at the right time. But given we generate a lot of cash, I think there's always other options on the table. But I would think is the base case is a refinance.

Josh:

Okay. Thank you very much. I appreciate the time here and I hope that you have a wonderful day. Thank you everyone in the audience and if you want to stick around, the next meeting is Brown and Brown. Thank you.

Heather:

Thanks for hosting us, Josh.