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Q3 2022 Voya Financial Inc Earnings and to Acquire Benefitfocus Inc Call

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CORPORATE PARTICIPANTS

Charles Nelson *Voya Financial, Inc. - Chief Growth Officer & Vice Chairman*
Christine Hurtsellers *Voya Financial, Inc. - CEO of Voya Investment Management*
Heather Lavallee *Voya Financial, Inc. - President & CEO-Elect*
Michael Katz *Voya Financial, Inc. - EVP, Finance*
Mike Smith *Voya Financial, Inc. - Vice Chairman & CFO*
Rod Martin *Voya Financial, Inc. - Chairman & CEO*

CONFERENCE CALL PARTICIPANTS

Alexander Scott *Goldman Sachs Group, Inc., Research Division - Equity Analyst*
Erik Bass *Autonomous LLP - Partner of US Life Insurance*
Kenneth Lee *RBC Capital Markets, Research Division - VP of Equity Research*
Ryan Krueger *Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research*
Suneet Kamath *Jefferies LLC, Research Division - Equity Analyst*
Thomas Gallagher *Evercore ISI Institutional Equities, Research Division - Senior MD*
Wilma Burdis *Raymond James & Associates, Inc., Research Division - Research Analyst*

PRESENTATION

Operator

Good morning, and welcome to Voya Financial's Third Quarter 2022 Earnings Conference Call. (Operator Instructions). Please note, this conference is being recorded.

I will now turn the conference over to our host, Mike Katz, Executive Vice President of Finance. Thank you. You may begin.

Michael Katz ***Voya Financial, Inc. - EVP, Finance***

Thank you, and good morning. Welcome to Voya Financial's Third Quarter 2022 Earnings Conference Call. We appreciate all of you who have joined us for this call. As a reminder, materials for today's call are available on our website at investors.voya.com or via the webcast.

Turning to Slide 2. Some of the comments made during this conference call may contain forward-looking statements within the meaning of federal securities law. I refer you to this slide for more information.

We will also be referring today to certain non-GAAP financial measures. GAAP reconciliations are available in our press release and financial supplement found on our website.

Joining me on the call are Rod Martin, our Chairman and Chief Executive Officer; Heather Lavallee, our President and Chief Executive Officer-elect; and Mike Smith, our Chief Financial Officer. After their prepared remarks, we will take your questions. For that Q&A session, we have also invited our Vice Chair and Chief Growth Officer, Charlie Nelson; as well as the heads of our businesses, specifically, Christine Hurtsellers, Investment Management; and Rob Grubka, Health Solutions.

With that, let's turn to Slide 3 as I'll turn the call over to Rod.

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Good morning. Let's begin on Slide 4 with some key themes. We delivered exceptional results during the third quarter, particularly given the challenging macroeconomic environment. We grew adjusted operating EPS, excluding notables, by approximately 28% year-over-year to $2.19. This strong performance reflects our continued execution of the organic growth, margin and capital components of our EPS growth plans. As a result, we now believe we will achieve our original 12% to 17% EPS target for 2022 despite the macroeconomic challenges we've experienced this year.

Our confidence in achieving this target is driven by several factors: the diversity of our revenue streams and the markets we serve, including the positive impact of interest rates on our Wealth business; the continued decline of COVID-related claims; the benefits we have already realized from the AllianzGI transaction, including revenue on assets onboarded during the third quarter; and the removal of all stranded costs associated with our prior divestitures, which we achieved ahead of schedule.

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Looking more closely at our performance. This quarter and over the trailing 12 months, all of our businesses achieved organic growth in line with our annual targets. During the third quarter, we generated positive full-service net flows of $555 million in Wealth Solutions, contributing to net flows of $1.1 billion over the trailing 12 months. Full Service recurring deposits grew 10.4% compared with the prior year period to $13 billion. In Health Solutions, annualized in-force premiums grew 9.7% compared with the prior year period to $2.8 billion.

This was driven by growth across all of our product lines, including a 22% increase in our Voluntary Product line. In Investment Management, net flows over the last 12 months were nearly $10 billion. And this represents strong organic growth and the initial benefits of our transaction with AllianzGI. We concluded the third quarter with approximately $700 million of excess capital. In the third quarter, we deployed $172 million to extinguish debt and pay common stock dividends. This brings our total excess capital deployed over the trailing 12 months ended September 30 to approximately $1.9 billion.

Finally, we announced our acquisition of Benefitfocus yesterday. This transaction represents an immediate and long-term growth opportunity for Voya. We believe this acquisition is both highly strategic and financially compelling. It accelerates a key priority of our strategy that enables the capability to further integrate our Health and Wealth Solutions, leading to improved outcomes for our customers, intermediaries and our shareholders.

This transaction is also highly strategic and an attractive form of capital deployment given the immediate cash accretion and the long-term revenue growth opportunities it brings while accelerating our strategy. We continue to build on our track record of delivering strong value and returns for our shareholders. In a moment, Heather will share more details on how this strategic acquisition accelerates our Health and Wealth strategy.

Turning to Slide 5. Our focus on brand and culture continue to differentiate Voya. During October, Voya supported a number of events as part of the National Disability Employment Awareness Month. We teamed up with Disability:IN for our third annual virtual concert to highlight the need to increase and improve the employment of people with disabilities and special needs.

And in September, we held our annual employee giving campaign. More than 80% of our employees engaged in activities during the month, the highest participation rate in Voya's history. And our people donated at a rate that was 3x the giving rate of the average company.

Our work to advance our culture was further validated by our recertification as a Great Place to Work for the seventh consecutive year, and we earned a similar honor from Fortune. These recognitions and the actions of our people and our company continue to reflect the strength of our culture and how that carries through in all that we do.

With our strong history of effectively executing on our plans and controlling what we can control, regardless of the macroeconomic environment, we remain confident in the plans we shared with you at Investor Day.

With that, let me ask Heather to share more details on our exciting acquisition of Benefitfocus as well as additional details on how we're executing on our strategy. Heather?

Heather Lavallee ***Voya Financial, Inc. - President & CEO-Elect***

Thank you, Rod. As Rod shared our execution of the strategy that we shared with you at Investor Day continues to result in strong outcomes across our businesses and exceptional financial results. In addition to organic growth, we continue to demonstrate the successful outcomes of the investments we have made in our business as well as the additive growth potential of inorganic opportunities that we have been able to pursue.

Let's move to Slide 7 to begin with a new inorganic opportunity that we announced yesterday, the definitive agreement to acquire Benefitfocus. This acquisition is an exciting opportunity to accelerate Voya's strategy in Health and Wealth Solutions, adding broad-based benefits administration capabilities that extend our reach across workplace benefits and savings.

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At the same time, Benefitfocus presents a strong foundation for our customer-centered growth. Importantly, we were attracted to the significant transformation that Benefitfocus has executed, and we believe that as part of Voya, it will be able to leverage our scale, technology, digital capabilities and operational expertise. This will add further value to Benefitfocus and ultimately, Voya's clients as well.

We spent meaningful time with Matt Levin, who joined Benefitfocus as CEO last year and the experienced team that he has assembled. We've been impressed by their exceptional talent, strong capabilities and extensive reach across the Benefits industry. We believe this transaction will expand our ability to deliver innovative solutions for employers and health plans and help improve the financial, physical and emotional well-being of their employees and members. Finally, and just as important, the transaction will be immediately cash accretive relative to buybacks even before future revenue synergies.

Turning to Slide 8. I'd like to share more about how this transaction supports and accelerates our strategy while also driving revenue growth. At our Investor Day last year, we shared our revenue growth levers with you. Benefitfocus will play a valuable and important role.

First, we will continue to deepen relationships, both with our employer clients and intermediary partners. We will do so by helping to make the connections across workplace savings and benefits so that our customers can optimize their benefit spend and generate positive outcomes for their employees. In doing so, we will remain committed to an open-architecture, product-agnostic approach.

Second, we are growing and will grow our customer base. We have demonstrated our ability to drive organic growth at Voya through client retention, adding new customers and expanding the solutions we provide existing customers. With Benefitfocus, our reach will be even broader to continue this momentum.

Benefitfocus serves the leading brokerage and consulting firms in the Health and Benefits industry, touching more than 25 million lives on its platform. Combined with our workplace customers, Voya will serve approximately 38 million individuals or roughly 1 in 10 Americans following the completion of this acquisition.

Our intermediary partners play a valuable and important role in helping customers achieve their workplace savings and benefits goal, and they will play a key role in both expanding our capabilities to more clients as well as being able to bring new clients to Voya.

And finally, we will continue to expand our offerings by meeting the growing demand for comprehensive benefits and savings solutions at the workplace. A key aspect is the innovative solutions we are introducing, which will enable us to further grow our revenue streams and expand into adjacencies. This includes our new digital capabilities such as our myVoyage mobile app that improve experiences and lead to better outcomes. In a moment, I'll give you an example of how our work here is leading to positive results for our clients and for Voya.

In summary, Benefitfocus represents a compelling and exciting inorganic growth opportunity that aligns with our strategy, will enable us to deepen and expand relationships with our customers and deliver greater value for all of our stakeholders, including clients, intermediaries and shareholders.

Let's move to Slide 9. In addition to the future opportunities gained by the Benefitfocus transaction, we continue to see strong commercial success in our Wealth and Health businesses. This includes the launch of new solutions like the myVoyage app. The app is a first of its kind, a personalized financial guidance experience that provides easy access to workplace benefits, savings and personal accounts in one application. It represents the next evolution of our growth strategy, leveraging our leading data and digital capabilities, along with our expertise across Health, Wealth, and Investment Solutions.

While in early stages, we are seeing existing clients that are attracted to our new digital solutions. For example, Serco and Bass Pro Shops are 2 existing large market clients who chose to add one of our latest digital solutions to support their combined nearly 36,000 employees. Both of these wins are a testament to our team's strong client engagement and are just a few examples of how we are bringing our strategy to life.

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The growth and importance of connecting workplace benefits and savings is undeniable, and it provides numerous opportunities to drive revenue growth for us. Moving forward, we will continue to purposely expand our offerings where additional solutions can advance our customers' overall experience and ultimately help create greater financial outcomes across Health and Wealth, at the workplace and beyond.

Turning to Slide 10. We also continue to make great progress in Investment Management due to our existing capabilities and the added momentum of the AllianzGI transaction. After completing the transaction in July, we are already seeing the benefits of this acquisition, including the emerging value from our new strategic distribution partnership with AllianzGI. This partnership, along with the retention of 95% of the assets associated with the business, will enable us to add value to both our customers and our shareholders.

For example, we continue to estimate cash accretion to the company's adjusted operating EPS at 6% to 8% for 2023. We are excited about new opportunities resulting from this transaction, including significant scale and diversified revenues for our asset management business and global distribution with a leading international partner for existing asset management expertise and strategies.

Overall, we are executing on the strategy that we have shared with all of you. We are delivering great outcomes for all of our stakeholders, and we are excited about the additive benefits that both AllianzGI and Benefitfocus transactions will bring to all of our stakeholders.

With that, let me turn it over to Mike to provide you with more details on our financial performance and results.

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

Thank you, Heather. Let's turn to our results on Slide 12. In the third quarter, we delivered very strong results with adjusted operating earnings of $2.30 per share. This includes 3 notable items: first, $0.70 of net alternative income below long-term expectations; second, $0.37 of favorable DAC unlocking related to our annual assumption review; and third, $0.44 of favorable non-cash reserve release in Health Solutions, also driven by our assumption review.

Excluding these items, we grew adjusted operating earnings per share by 28% year-over-year to $2.19. Growth reflected higher net investment spread revenue in Wealth, strong underwriting results in Health and earnings in Investment Management from the close of the AllianzGI transaction. Third quarter GAAP net income was $193 million.

Strong operating earnings were modestly offset by AllianzGI transaction cost, investment losses driven by increases in rates and spreads and modest losses related to businesses we have exited. We are very pleased with our third quarter results, which exemplify how our diverse revenue streams and complementary businesses enable us to effectively navigate through the rapidly changing economic landscape.

Moving to Slide 13. Wealth Solutions delivered strong results for the quarter, demonstrating the strength of our diversified business mix and revenue sources. Third quarter adjusted operating earnings were $168 million. This included $70 million of alternative income below our long-term expectations and $50 million of favorable DAC unlocking.

Adjusted operating earnings, excluding notables, were higher than the prior year period despite unfavorable equity markets. Net revenues ex notables grew over 4% on a trailing 12-month basis. Our spread-based revenues benefited from higher interest rates, which more than offset the impact of equity markets on our fee-based margins. We expect fourth quarter spread income to be between second and third quarter levels as third quarter favorability in yields and credited interest is not expected to repeat.

Third quarter adjusted operating margin was 36.4% on a trailing 12-month basis. This was above our target range of 34% to 36%, demonstrating our ability to manage spend through challenging macro cycles.

Turning to deposits and flows. Full Service recurring deposits grew by approximately 10% on a trailing 12-month basis with expectation for full year deposit growth of 10% to 12%. We continue to see favorable year-over-year trends. The number of employees deferring has

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increased 5%, while average participant deferrals have increased 4%.

As employment trends remain healthy, the number of employees receiving an employer match has increased 8%. Full Service net inflows were $555 million this quarter, reflecting strong plan sales and favorable retention. This builds upon the strong second quarter flows generated in Full Service.

Recordkeeping net inflows were $2 billion due to a new large case and favorable participant withdrawals. Looking ahead, we expect the favorable trend in Full Service net cash flows to continue, and we have a significant pipeline coming in 2023. Our Wealth Solutions business is well diversified across markets, supported by a strong national distribution footprint. When we consider this, along with our leading brand and differentiated value proposition, we are well positioned for long-term success.

Turning to Slide 14. Health Solutions' third quarter adjusted operating earnings were $149 million, which included $7 million of unfavorable alternative income and a favorable reserve release of $59 million. Given the non-cash nature and size of the reserve release, we are treating this as a notable item this quarter.

Excluding these items, adjusted operating earnings grew 29% year-over-year to $97 million, with solid revenue growth and margins within our 27% to 33% target range. Third quarter revenues grew 14% year-over-year on a trailing 12-month basis, reflecting favorable net underwriting results and premium growth across all product lines.

Annualized in-force premiums grew 9.7% year-over-year. This was at the top end of our 7% to 10% target range, driven by growth in both Stop Loss and Voluntary. Total aggregate loss ratios were 71% on a trailing 12-months basis, excluding the impact of this quarter's favorable reserve release, so as not to distort the results. In the quarter, we experienced favorable performance in each of our product lines.

Looking ahead, we are seeing early indications for a strong renewal and sales season. More broadly, we remain confident in our ability to grow our book while maintaining pricing discipline and expect our Health and Wealth strategy to continue resonating with the market.

Moving to Slide 15. Investment Management delivered adjusted operating earnings of $51 million in the third quarter or $38 million net of AllianzGI's interest. Excluding unfavorable net investment capital returns below our long-term expectations, adjusted operating earnings were $54 million, net of AllianzGI's interest.

Net revenues grew 1% ex notables, helped by revenues from AllianzGI assets onboarded in the quarter. This was partly offset by macro impacts on fees. Third quarter adjusted operating margin was 26% on a trailing 12-month basis, lower than the prior year period due to unfavorable equity markets partially offset by AllianzGI.

We expect our growth in private and alternative assets, growth in retail assets and continued expense discipline to be accretive to our overall operating margin. To help better quantify the impact of macro changes, we now include Investment Management-specific sensitivities to equity markets and interest rates in the appendix.

We saw some stabilization in near-term fixed income performance relative to second quarter. Importantly, our long-term investment performance remains strong as 90% and 100% of our fixed income funds outperformed on a 5- and 10-year basis, respectively.

Turning to flows. Against a challenging market backdrop, with equity markets and fixed income markets down materially, our net outflows were $960 million in the quarter. However, year-to-date net inflows remain over $900 million.

In Institutional, insurance channel demand for private credit and alternative fund closings in the quarter was offset by domestic outflows, largely from core fixed income strategies. Retail flows saw a positive contribution from the AllianzGI Income and Growth fund and our retail private equity fund. This was offset by outflows from core fixed income.

Looking ahead, we expect overall full year 2022 organic growth rate to be roughly 0. We remain confident in our 2% to 4% organic

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growth expectation in future years. Additionally, we do not expect to realize performance fees in the fourth quarter related to our mortgage derivative strategy. That said, the strategy has performed exceptionally well over the long term, and we expect to return to performance fees in the future.

Looking through the near-term macro headwinds, we remain bullish on our long-term prospects. We have expanded our global reach and strategic partnerships, have a strong unfunded pipeline with notable contributions from private and alternative strategies and we continue to deliver excellent long-term fixed income investment performance.

Turning to Slide 16. Our ending excess capital position was $700 million, largely in line with second quarter as we generated and deployed approximately $170 million of capital in the quarter. Including third quarter, we have deployed $1.9 billion of capital over the past 12 months. Our financial leverage ratio ended the quarter at 37.4%.

As it relates to Benefitfocus, the transaction will be leverage neutral as we will not take on any debt as part of the transaction. As noted earlier, we view the acquisition of Benefitfocus as an attractive form of capital deployment that will add revenue and enhance our earnings growth prospects. It is immediately cash accretive to Voya's operating earnings. Looking ahead, we expect to return to share repurchase activity and debt extinguishment in the middle of 2023, supported by our robust capital generation.

Overall, our balance sheet and capital position remains strong, and we are confident that our well-diversified investment portfolio will continue to deliver attractive risk and capital adjusted returns through the business cycle.

As you likely know, this is my 24th analyst call and the last as CFO of Voya. It has been an honor and a privilege to have played a part in making Voya the leading transformation story in our industry over the last 10 years. And I could not be more bullish on the prospects for Heather and the entire Voya team as they move forward.

Summarizing the quarter, we are pleased with another quarter of strong earnings, which demonstrated our continued positive commercial momentum and the benefit of our diversified business mix and revenue sources. We are excited about our progress to activate our Health and Wealth strategy through the acquisition of Benefitfocus. And we continue to be disciplined around our capital with an eye toward delivering shareholder value.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Suneet Kamath with Jefferies.

Suneet Kamath ***Jefferies LLC, Research Division - Equity Analyst***

Mike, it's great working with you, best of luck in the future. I wanted to start with Benefitfocus, if you could. Just curious what's the sort of earnings baseline we should be thinking about sort of out of the gate? And then if you could talk about any numbers around near-term expense synergies as well as opportunities on the revenue side?

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Sure, Suneet. Heather will take this.

Heather Lavallee ***Voya Financial, Inc. - President & CEO-Elect***

Thank you so much for the question. And I'll start by saying, we couldn't be more excited about the opportunity to bring Benefitfocus' capabilities into the broad solutions that Voya offers. And before I address your question, I thought it might be helpful just to give a little more of the strategic rationale of why benefit administration capability is important to Voya.

And when you think about the employer clients that we serve at the workplace, we have already offered very broad solutions. So if you

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think in the Retirement space, we have the recordkeeping capabilities, we have the user experience, the guidance engines and then the breadth of investment solutions that we offer both within our asset management company as well as the partner asset management companies. And when you think about our Health Solutions, we've got a breadth of Voluntary solutions that we offer for employers to help with protection needs. But we did not have the benefits administration or the front-end user experience.

And so what this capability does is it allows us to have both that Benefits administration capability on the Health side to connect with all of the different partners, the health providers, the benefit providers, while leveraging our myVoyage front-end user experience to really connect what has typically been very unconnected. So I wanted to start with that just to make sure that we've got a good grounding in the strategic rationale.

Now to get to your question specifically around the run rate, why is this accretive immediately is when you think about Benefitfocus or a publicly traded organization, you can see that they've got a revenue run rate of about $250 million on an annual basis. That's recurring revenue.

And we're able to take advantage of immediate expense synergies from some corporate expenses. So you think about the elimination of public company expenses as well as taking advantage of our tax asset. And all of this is before any revenue synergies that we see on the horizon, and it's before synergies that we see in our ability to help Benefitfocus accelerate their growth plans and improve their margin by leveraging our technology, our digital and our operational experience. So let me pause, and I probably threw a lot at you, let me just see if I answered your question.

Suneet Kamath ***Jefferies LLC, Research Division - Equity Analyst***

You did, and that was helpful. I guess I just want to be clear that we have a good like launching point in terms of the earnings base that we should be assuming. Again, I hear the $250 million revenue and some benefits. I just wonder if we can get a little bit more clarity just so we're all starting at the right point.

Heather Lavallee ***Voya Financial, Inc. - President & CEO-Elect***

Yes. I'll say we're going to come back with more specifics. As you can see, Benefitfocus is a public company today, and their information is clear. We've included some information in our presentation around their current margin, their current revenue. So expect that we're going to come back with you with a bit more specifics on the accretion as we get closer to close.

Suneet Kamath ***Jefferies LLC, Research Division - Equity Analyst***

Okay. That's great. And then I guess for Mike, I think you covered it a little bit in your prepared remarks, but it looked like even on a normalized basis, a lot of the segment results were quite strong. So I was just hoping you could kind of just walk through maybe what you think at the segment level is sort of sustainable kind of going forward? Again, I think you hit on some of this, but just want to make sure I have all the pieces.

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

Sure. Look, I think let's do them each in turn. We'll start with Wealth side. The strong performance in the quarter was largely driven by investment spread. We gave a sense that fourth quarter, you should see a little bit of a pullback there, all else equal to a level that will be between second and third quarter. And I think that continues to be sustainable, so long as the macro environment continues to support that. Our reinvestment rate is now, and it's hard to believe I'm even saying this, is now substantially higher than our portfolio yield. It's been probably 10 years since that was true.

So that should continue to be a good tailwind. Obviously, equity markets will have a role to play in that as well. But I think we've demonstrated consistently year in and year out an ability to manage to a consistent margin and the current margin is very solid. On the Health side, what we saw was, if you take out the noise from that reserve release, still really strong underwriting results. And I think a return to normalcy for the life business or the Group Life block, and very good Voluntary results.

I think you could see a little pullback on that in the fourth quarter. We've called this out before, there is a normal seasonality that you see in the Voluntary business in the fourth quarter as people are reminded through the enrollment process that they have these benefits. And

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then Stop Loss continues to be very strong, and we're very pleased with the results across the board. So particularly in the Group Life business, there we've been through a couple of tough quarters. Ex-COVID, we viewed that as noise, and I think this quarter supports that thesis.

On Investment Management, continued expense discipline in the face of really adverse market conditions, I think, is the watchword there plus the benefit of the growth that we're going to see from the AllianzGI relationship. And the new-, not only investment capabilities, but also new distribution horizons for us to explore. So I think all of that goes to, I think, a very sustainable and I think a very strong picture for Voya going forward.

Operator

And our next question comes from Wilma Burdis with Raymond James.

Wilma Burdis ***Raymond James & Associates, Inc., Research Division - Research Analyst***

I'm just following up on Suneet's question, could you help us quantify some of the expense synergies? These seem like they could be pretty material given, I think, the company has public company costs and other things.

Heather Lavallee ***Voya Financial, Inc. - President & CEO-Elect***

Wilma, this is Heather. I'll take the question. So if you think about it, Benefitfocus is a small-cap company. So we're able to achieve relatively small amount of expense synergies and have an immediate cash accretion. So we'll come back with more specifics. But really, just think about it in terms of small amount of expense synergies, it does have a meaningful impact on the accretion.

Wilma Burdis ***Raymond James & Associates, Inc., Research Division - Research Analyst***

Second question, could you please walk us through what we should expect regarding the excess capital position after the deal closes in 1Q?

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

Sure. Wilma, could you just repeat that? It was a little garbled. I didn't quite catch that. But it had to do with the excess capital?

Wilma Burdis ***Raymond James & Associates, Inc., Research Division - Research Analyst***

Yes. If you could just walk us through the expected excess capital position after the deal closes in 1Q '23?

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

Okay. Well, I'll give you the things to think about. I don't know that we're going to project what excess capital is going to be in the second quarter of '23 because there's a lot of ground to cover. The way to think about this is the transaction will close in first quarter, or is expected to close first quarter '23. We end the third quarter with about $700 million of excess capital. The transaction will consume, call it, $550-ish million of that. But in the meantime, we'll have generated capital from earnings in the fourth quarter and then again in the first quarter.

So depending on what we ultimately see in those quarters, you should still, at the end of the first quarter, be in a position where there's meaningful excess capital above and beyond the 375% RBC level. So time will tell. We continue to feel pretty optimistic about the credit environment over the near term. Longer term, a lot yet to be written. But that's the way to think about it. That money that we talked about, the cash to cover the transaction, that's 6 months off potentially or at least 4 or 5 months off.

Heather Lavallee ***Voya Financial, Inc. - President & CEO-Elect***

And Wilma, it's Heather. One more point I would add to it is that you can expect that our strategy around capital deployment and being disciplined with capital is going to remain going into '23. We're going to continue to be good stewards of shareholder capital as we always have been, and we'll continue that into '23.

Operator

Our next question comes from Erik Bass with Autonomous Research.

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Erik Bass ***Autonomous LLP - Partner of US Life Insurance***

So it looks like Benefitfocus expects relatively flat revenues in 2020 versus 2021. So I was just hoping you could talk about what's been weighing on growth recently and what gives you confidence that this can accelerate going forward?

Heather Lavallee ***Voya Financial, Inc. - President & CEO-Elect***

Erik, it's Heather. Again, I'm happy to take your questions. So first, let me start with what gives us confidence going forward, is Benefitfocus has a new management team but very, very seasoned with a combined over 300 years' experience in the Benefit administration space. And they've got a very clear but achievable path forward to drive revenue growth as well as a clear path around the road map to enhance capability. Now when you look at why have they been largely flat revenues over the past few years, they had some stumbling blocks and that were really not attributed to this new management team, and that's what gives us tremendous confidence as with Matt and with his team.

And one of the other items that I would point to is one of the things that both Benefitfocus and Voya are absolutely committed to is an intermediary centric focus. In our business, the brokers, consultants, advisers are the ones that are really making recommendations around ben admin, product placement, Retirement, and we're committed to an open architecture and product-agnostic approach in terms of this partnership. So we do feel very, very confident with the achievable plan going forward.

Erik Bass ***Autonomous LLP - Partner of US Life Insurance***

And maybe a follow-up is just as you think about the financial benefits over time, is it going to come mostly from growing their revenue base on the existing products? Or is it ultimately also going to be revenue synergies and distribution opportunities for Voya-produced products as well?

Heather Lavallee ***Voya Financial, Inc. - President & CEO-Elect***

Yes. Let me start and I'm going to ask Charlie to add in some commentary around the growth potential. So when we did our valuation of the property of Benefitfocus, we were basing all of that valuation on their current plan, on really just the ability for them to achieve their very reasonable plan that they set out. And it does not contemplate any bit of help that Voya can aid in terms of accelerating their plan from some of the things we talked about of leveraging our scale, our distribution footprint, technology, et cetera. We are excited about the opportunities to drive additional revenue growth going forward, again, not in the accretion. And this is very much around -- I'm going to turn it to Charlie to add some additional thoughts.

Charles Nelson ***Voya Financial, Inc. - Chief Growth Officer & Vice Chairman***

Yes. Thanks, Heather. Just want to take half a step back, you've got to look at the ben-admin market. Ben administration is at the core of workplace benefits decisioning and usage. And if you think about what that is driving, the core ben-admin capabilities are about benefits and eligibility, who's eligible as an employer, enrolling people in the various benefits. And as we talked about, we know they typically have about 17 different benefits. So someone's got to get them -- who is eligible, who's enrolled and then billing all the various benefit providers.

The core benefit administrative market is a really growing market. It's got a large total addressable market base on a national basis. And then there's ancillary solutions, whether it's benefit guidance and navigation, data insights, claims, analytics or recovery services. So just core within the ben-admin and what Benefitfocus brings is an enriched capability, we're very excited about that. And when you think about our business and revenue synergies, I think as it's been clear in the communication so far, obviously, that our valuation assumes no revenue synergies, but we see tremendous opportunities in the future.

And we think those revenue synergies will emerge over time, and it's going to take a little time because we are also very excited about these because of the potential both for Benefitfocus as well as Voya. And let me just give you a couple. Heather mentioned myVoyage, which is our guidance and holistic benefits digital app capability. That's one opportunity to kind of leverage across. What we're doing with HSA and integrated workplace savings, whether it's 401(k), HSA, emergency savings, non-qual, and ability to be able to drive that over time.

Now this will take time with benefit decisioning. But going back to the first part of your question around kind of the pipeline and in

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confidence in '23, you've got to remember, most benefits decisions have been made for '23 as it relates to benefits administration because they're in the middle of benefits enrollment as well as health. So we've got a pretty good line of sight, obviously, into '23, and we really feel good about the future as well, especially when you think about these additional capabilities.

Heather Lavallee ***Voya Financial, Inc. - President & CEO-Elect***

Thanks Charlie. And one final thing before we move to the next question is we've got a long relationship with Benefitfocus, and I might ask Rod to add just his perspective.

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Yes, sure. Thanks, Heather. So as we've talked about in the past, the ben-admin space is a variety of companies that we partner with, north of 90 to put a number to and [dimension] (corrected by the company after the call) it a little bit. Benefitfocus would be in our top 10 from whether it's a group count perspective or it's a total premium that runs through their platform for us. So they're a firm that we know really well.

And as you think about this market and the pace of it, a little bit to the question on revenue and growth opportunity. It takes a few swings to get a team in as Matt has done, leverage the experience they've got, Create focus, which they've started to do and started to, we think, turned the corner on the perception and reception they've had in the market. That is have them very much focused on just retraction and protect the book of business that they have. And we see with the green shoots that they're creating to drive that growth as we move forward. But it's a property we've integrated and worked with for north of 10 years and again, have a meaningful book of business with them.

We think that gives us really good insight before due diligence, and it's only gotten better as we've gone through that process and have a deeper view into how they're thinking about things and how they're trying to execute better moving forward.

Operator

Our next question comes from Ryan Krueger with KBW.

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

Could you give some perspective on the AGI-specific flows and how they've trended since the transaction closed?

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Christine?

Christine Hurtsellers ***Voya Financial, Inc. - CEO of Voya Investment Management***

We acquired from AGI actually had positive net cash flows of about $0.5 billion since we closed at the end of July. So again, just a real testimony to a couple of things, just the value and the strength that the investors are delivering for clients and really the strong client relationships that Allianz Global Investors really is bringing to bear. And so just to kind of take a step back, as we talked about a little bit last quarter, I mean really remarkable. We retained 95% of the assets, full regulatory approval.

And again, when we were thinking originally in the deal modeling on this, we were much more conservative in terms of what we thought outflows would be. So -- and they're actually inflows. So the point really is, I mean, what makes me excited is we're going on offense with expanding strategies, really leveraging that team much faster than we anticipated, again, just given the strength of the client retention.

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

Great. And related question is just how to think about the lead time to build up the pipeline as you sell products through their new non-U.S. distribution?

Christine Hurtsellers ***Voya Financial, Inc. - CEO of Voya Investment Management***

Sure. Currently, we're already having some discussions and client opportunities in what we call sort of single managed accounts or SMAs. What we are working on as well is launching a number of UCITS off of their international platform. And so we have a number of strategies in the queue.

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How to think about that in terms of timing? To get a little bit more granular with you, there are 2 strategies that we'll be launching off of the new teams that we acquired. So those will be a little faster in terms of getting those launched because they were already in the pipeline for the Voya strategies, that we will be distributing with them. Think of a time frame around mid-2023 to get all this structured together.

So how to think about it in terms of the transaction and the deal? We were modeling it and sharing the 6% to 8% EPS accretion, we really weren't counting revenue expansion from Voya Investment Management strategies to be distributed globally. So again, as we're looking at it, we're just extraordinarily excited to have such a great partner in AllianzGI and see really strong momentum in the quarters ahead.

Operator

Our next question comes from Tom Gallagher with Evercore ISI.

Thomas Gallagher ***Evercore ISI Institutional Equities, Research Division - Senior MD***

Just coming back to Benefitfocus. Just when we sort of step back and look at what's happening here, Heather, you mentioned there's a relatively new management team that came into, I assume, turn it around. You look at the stock chart here, hit a high of 60, got down to mid-single digits. And you have a new management team that's selling the company. I wouldn't say it inspires confidence that things are going to really turn around if they're selling here. So just curious, what do you think is going on here? Why are they selling? Is there a much better opportunity that they couldn't have done on their own combining with Voya?

And I guess just a follow-up question. Are you going to have to invest in this business at all? Will there be capital contributions you're going to need to make that they couldn't have made on their own? Just a little bit of color for where it was, where it's going and why we think it could actually improve? And also, are you locking up this new management team to make sure that you get continuity of people staying?

Heather Lavallee ***Voya Financial, Inc. - President & CEO-Elect***

Yes, Tom, thank you for the question. Let me break it down a little bit one at a time. So first, starting with the new management team, yes, we would look to lock them up. We think that they bring an important expertise in the space. One of the things to your question around why sell now with a brand-new CEO and a brand-new management team? You think about Matt Levin, was brought in. He's got deep expertise in this space, and he not only brought on and built a management team, but he built a management team that he's worked with for a number of years.

And so that's one of the aspects that gives us tremendous confidence. When we sat down with him during due diligence, they laid out what we believe is a very clear achievable path and turnaround strategy. And so from the Benefitfocus' Board of Director perspective, I think this is something that created a good opportunity for their Board. We were able to gain unanimous approval from the Benefitfocus Board.

As we talked about it, as Rod mentioned, we've had a longer-term relationship with Benefitfocus, and we have a very like-minded strategy on what we believe we can bring together with these businesses and the importance of making sure we keep this in terms of that open architecture product-agnostic approach.

And we're going to continue to work with our ben-admin partners as they're going to continue to work with a variety of different voluntary benefit providers. And one of the other components that we took into consideration as we thought about this is, is there any type of execution risk? And it's important to mention that there is no integration here. This is really a lift and shift of a business, really being able to support them.

And I think your final question, if I kind of ticked through all of them is, did we contemplate investments? And that is one of the elements that we looked at as part of the due diligence and in the agreed-upon price. There is going to be some steady investment just the way we

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invest in our businesses to drive growth. Our focus right now is on bringing on the benefit-focus employees and delivering on the promises to the customers and helping them to continue to expand their capabilities and serve their clients very, very effectively. So let me just pause. And I know there are a lot of parts to your question, Tom, and see if I hit it.

Thomas Gallagher ***Evercore ISI Institutional Equities, Research Division - Senior MD***

Yes. I think you got all of them. Sorry for the [multi-part questions] (corrected by the company after the call). Just one quick follow-up. The DTA utilization, does that allow you to accelerate Voya's tax asset? Or is there a tax asset being transferred in the transaction?

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

No, it's all Voya's, Tom. So that will be the way to think about it. We have net operating losses, we'll be able to have more income to offset against.

Operator

Our next question comes from Kenneth Lee with RBC Capital Markets.

Kenneth Lee ***RBC Capital Markets, Research Division - VP of Equity Research***

Wondering if you could just go into more details around the reserve release within the Health Solutions that you saw in the quarter.

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

Ken, This is Mike. Thank you. Yes, it relates to specifically to one block of business. It's the waiver of premium business. And just for those not familiar with the term, participants in Group Life plans, if they go on disability, their premiums are waived until they return to active work. And so we hold the reserve for those individuals. There are a number of assumptions that are part of the reserve calculation that includes a return -- how quickly people return from disability as well as the mortality that they experience while off work and disabled.

So we recently completed an experienced study. It's not a particularly large block. It took a while for us to accumulate enough data. And what that showed us was that our previous assumptions for this reserve were meaningfully conservative. And so we updated those assumptions, and the resulting reserve release is what you see now going forward.

So we think this is a onetime issue. That's why we call it a notable. I don't think it has any particular large read-through in the ongoing run rate either. It's just a true-up of a reserve that built up over a number of years. And then lastly, just to reiterate, I said this in my remarks just while we were talking about it, this is GAAP only. It is not -- it does not affect our excess capital. Or in other words, it's noncash.

Kenneth Lee ***RBC Capital Markets, Research Division - VP of Equity Research***

Got you. Very helpful there. And just one follow-up, if I may. You talked about spread-based income within the Wealth Solutions business. But just wondering, at a higher level, how do you think about the potential benefit or sensitivity of Voya's earnings to the rising rates and wider spread environment?

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

Well, the current environment is, as you've said, a tailwind, right, and should continue to be. We've given, I think, sensitivities to earnings from changes in rates. The experience we've seen thus far, I think has been largely consistent with that experience. There is enhanced sensitivity information in this quarter's appendix where we split out the sensitivity of Wealth from the sensitivity of our Investment Management business. So I think there should be fairly, depending on where rates go from here, I think there is, I think, a pretty clear understanding of how that's going to affect earnings, at least in the big picture going forward.

Heather Lavallee ***Voya Financial, Inc. - President & CEO-Elect***

And if I can just add one point to that, too. I think the continued revenue diversification that we have, specific to our Wealth benefit -- our Wealth business continues to be a real strength for us. As we've seen the ability to have spread income grow and offset the decline in equity markets while maintaining a disciplined focus on expenses and the diversification of our mix of business, the fact that we're in multiple sectors with different dynamics inside the participant base in terms of combination of equity and more of spread-based products continues to be a strength for us.

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Operator

Our next question comes from Alex Scott with Goldman Sachs.

Alexander Scott ***Goldman Sachs Group, Inc., Research Division - Equity Analyst***

First one I had is on Health Solutions. I was hoping maybe you could comment a bit on the Voluntary benefits in disability businesses. Maybe just with the disclosure, it's a little harder to see sort of the underlying mechanics of what's going on there. I mean it appears growth has been pretty strong, and I think the underwriting gains have been coming in better -- significantly better than we expected. So I just wanted to see to what degree you think that can continue and what the competitive environment looks like for pricing at year-end and whether you can kind of continue to get the growth you've been seeing?

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Yes. Thanks, Alex. I'll hit the first piece being disability and just remind you and everybody, we reinsure that risk. So there's a little bit of pluses and minus on how the reinsurance agreement works with our partner on that stuff, but it's really immaterial to the numbers that you're seeing there. The big driver is -- you said is the Voluntary, the supplemental health products set. And so third quarter, again, we alluded to this, but third quarter has tended to be a little bit lighter from a claims-activity perspective, then you go through open enrollment, fourth quarter bounces up from third and then a bit of consistency in the first quarter for sure.

Second quarter is always when you watch to see how it plays out. But as you do the step back and think about yearly 12 months sort of use of the business, we feel great about the top line growth. We've had tremendous growth there, as we pointed out, north of 20% year-over-year this year. As a whole business, we've been growing close to 10% the last 4 years. In Voluntary, the supplemental health has been a big driver of that for sure. As we think about performance of it, it's a business where as we've grown as fast as we have over the last few years, that book of business is continuing to mature.

At the same point, we're writing new businesses. As we write new business, we've been -- obviously, we see our results, and we know that it's been performing well. So we're doing things, whether it be from a rate-revenue perspective. Or it's just how do we enrich or better utilize the benefits with customers. And so we have talked about this in the past, medical claim integrations. Integration is an area where we want to try to anticipate and do more for the customer before just sitting back and waiting on a claim submission to come in.

And so that's an area where we think there's still a lot of upside opportunity to better penetrate our book of business with that service and those capabilities. But again, doing a step back, tremendous growth. We're really confident in the path that we're on, but do expect some upward movement in loss ratio over time.

Is the environment competitive? Yes, everybody is talking about this as a space that should grow. Its high deductible health plans have grown in penetration across the market, the need for a consumer perspective to deal with the claims that happen to help them make and think differently and bigger about the decisions from both a savings and a protection perspective. This is a big part of why we think our strategy is so needed right now, not only because Voya is, I think, uniquely positioned to deliver it, but also the customers are ready for a different experience from their benefit providers.

Alexander Scott ***Goldman Sachs Group, Inc., Research Division - Equity Analyst***

Got it. And next question I had is on the Wealth Solutions business. I just wanted to see if you could provide any color on how you're in shaping up and switching activity of different customers. And if you're sort of more of a net beneficiary or if that hurts going into the end of the year? Any kind of color you can give on the pipeline.

Heather Lavallee ***Voya Financial, Inc. - President & CEO-Elect***

Yes. Happy to do so. It's Heather, I'll chime in. So as you saw in the quarter, very strong flows with $555 million brings us to $2 billion of full-service flows year-to-date, recurring deposits right within the wheelhouse. So what's driving it is we do have strong sales, but we have favorable plan and participant retention and a really healthy pipeline. And we're planning to another quarter of positive flows looking into the fourth quarter. So we feel very, very good with the momentum in the Full Service business.

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And if I turn quickly to recordkeeping, we've talked about in the past that recordkeeping business, we have to take a longer-term horizon because there's much longer lead times. So again, pleased with the $2 billion in flows that we had in the quarter for recordkeeping. But if you look at over the last 3 years, we've generated $32.4 billion in net flows in recordkeeping. And we have one of the healthiest pipelines we've had in a number of years and significant number of unfunded wins that will fund within '23. So we feel very, very good about commercial momentum across both Full Service and recordkeeping.

Operator

And that's all the time we have for questions today. I will now hand the floor back to management for closing remarks.

Rod Martin ***Voya Financial, Inc. - Chairman & CEO***

Thank you. I'd like to share a heartfelt thank you to Mike Smith for his significant leadership contributions to Voya during the past 13 years. Mike, we are and I am deeply grateful for your service to Voya, and we wish you and your family the very best.

Our success continues to reflect our clear strategy, diverse businesses and focus on execution as well as the commitment and dedication of our people. We remain confident in our long-term strategy, and we'll continue to execute on our organic growth, capital and margin initiatives. We will continue to take purposeful actions to advance our strategy and expand our ability to address the Health, Wealth and Investment needs of our customers. We look forward to updating you on our progress. Thank you, and good day.

Operator

Thank you. That concludes today's conference. All parties may disconnect. Have a good day.

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