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PRESENTATION

Operator

Good morning, and welcome to Voya Financial's Second Quarter 2023 Earnings Conference Call. (Operator Instructions) Please note this event is being recorded.

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

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

Thank you, and good morning. Welcome to Voya Financial's Second Quarter 2023 Earnings Conference Call. We appreciate all of you who have joined us this morning. As a reminder, materials for today's call are available on our website at investors.voya.com.

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

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

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

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

Good morning. Voya Financial has delivered strong second quarter results as we continue to drive earnings and sales momentum across our businesses, prudently manage expenses and generate high free cash flow. We are well on track to achieve our 12% to 17% EPS CAGR target over the 3-year Investor Day period ending in December 2024. We're focused on executing our plan, driving organic growth and integrating our new businesses, which are delivering valuable revenue diversification and attractive opportunities for future growth. We head into the second half of 2023, focused on our customers and confident in our ability to generate profitable growth. Our confidence is driven by the proven resilience of our businesses and the strong track record that we have built by consistently delivering results across a wide range of economic conditions.

Let's move to Slide 4 with some key themes. For the second quarter, we delivered adjusted operating EPS of $2.21, which is 30% higher year-over-year. Our results reflect the strength of Voya's diversified business model, continued sales momentum and disciplined expense management. For Wealth Solutions, Full Service net flows were $400 million, with growth in recurring deposits helping to offset elevated participant surrenders.

While recordkeeping delivered a strong quarter with net inflows exceeding $3.5 billion. Wealth Solutions delivered another outstanding

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quarter, driven by strength in Stop Loss, annualized in-force premiums and fees grew 22% year-over-year. In Investment Management, net outflows reflected the difficult market backdrop, especially among institutional clients, while continued strength in international retail helped to offset some of this effect.

We generated approximately $200 million of capital this quarter, and our free cash flow conversion rate remained above 90%. Because of our confidence in our continued ability to consistently generate strong free cash flows, we are doubling our common stock dividend this quarter to $0.40 or approximately 2% yield. We've also resumed share repurchases, deploying $162 million this quarter as part of our consistent emphasis on returning capital to shareholders in a disciplined manner.

Our Board has provided a further $500 million repurchase authorization to facilitate our continued execution on this approach. In a few moments, Don will share more on our results and performance.

Our strong results this quarter demonstrate the value of the diversified business model we have built during the past several years. Slide 5 shows how our revenues are balanced among underwriting, spread and fee-based sources with our fee revenues further diversified across markets. This diversification, coupled with our continued focus on expense management, has allowed us to achieve consistently strong operating performance, even as business and macroeconomic conditions have changed quarter-to-quarter.

Turning to Slide 6. For the past several quarters, we've been sharing progress on our strategic investments, the results that they are already generating and the growth opportunities they present for the future. We recently marked the first anniversary of our Allianz Global Investors acquisition, which has been a tremendous success for Voya Investment Management. The incoming growth franchise continues to generate exceptionally strong net flows, especially in Asian markets.

Building on this success, and consistent with the plans we discussed last quarter, we have recently launched an investment-grade credit fund and several equity funds in the international markets, capitalizing on the extensive distribution capabilities that we now have in Europe and Asia, we see international markets as a powerful driver of future revenue and earnings growth.

Our integration of Benefitfocus is on track. This strategic vision it presents for the future of workplace benefits and savings is gaining traction in the marketplace with strong growth in bookings and a growing pipeline of opportunities contributing to sales momentum. With Benefitfocus, Voya is building a market-leading workplace platform for our customers, connecting their benefits and savings programs to create a comprehensive workplace experience for their employees while driving operational and cost efficiencies for their HR departments.

Finally, just yesterday, we took full ownership of our Indian technology and operations joint venture. Voya India has been a tremendous growth story for Voya with close to 2,000 employees just 4 years after we founded it with our local joint venture partner. And now as a wholly owned subsidiary of Voya, it will drive even further innovation across our entire company.

Turning to Slide 7. By living our purpose and vision every day, we are driving positive outcomes for our clients, supporting our colleagues and serving the communities in which we live and work. The growing adoption of Voya's myVoyage app across our client base provides a great example of our purpose and vision brought to life in a very tangible way. This first-of-its-kind platform uses personalized guidance and comprehensive data to drive better decision-making when it comes to workplace benefits and savings and prudent financial outcomes for our customers.

Our purpose and action is also positively impacting our communities through our annual National Day of Service that we held in May, Voya employees volunteered over 13,000 hours; and helped over [250] (corrected by company after the call) nonprofits across the U.S. Our purpose and the actions that we take to bring it to life continue to underpin our strong culture.

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

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Donald Templin ***Voya Financial, Inc. - Chief Financial Officer***

Thank you, Heather. Now let's turn to our results on Slide 9. We delivered $2.21 of adjusted operating EPS in the second quarter, which was 30% higher year-over-year. The Health Solutions business led our exceptional growth with another strong quarter of favorable net underwriting. While second quarter GAAP net income was $154 million, we generated approximately $200 million of excess capital in the quarter. This was because a majority of the differences between after-tax adjusted operating earnings and net income were noncash in nature.

Turning to Wealth Solutions. We're focused on improving financial outcomes for our customers and clients, consistent with our purpose, vision and values. This is supporting our ability to generate positive net cash flows and grow assets over the long term. Specifically, we have generated over $9 billion of Full Service net inflows over the past 5 years, including over $400 million in the second quarter. Full Service recurring deposits grew 9.5% on a trailing 12-month basis, supported by favorable case retention. We continue to expect deposit growth to exceed 10% for the full year. In recordkeeping, we generated over $3.5 billion of net inflows in the second quarter which includes a large case funding.

Turning to Slide 11. Wealth Solutions generated $174 million of adjusted operating earnings in the quarter. Net revenues ex notables grew 1.5% on trailing 12-month basis, due to higher spread-base revenues. Given the rapid rise in interest rates we experienced elevated spread income last year and the first part in this year. This quarter some of that benefit is normalizing due to policyholder behavior in response to the current yield environment, less variable to fixed transfers and higher crediting rates. Higher credited rates represent our actions to pass on the benefits of higher rates to our policyholders.

Looking ahead, we expect overall net revenues to increase given growth in fee-based revenues heading into the second half of the year, and we remain focused on the overall profitability of our book. As planned, administrative expenses were $23 million lower than first quarter. And our adjusted operating margin remains in our target range, demonstrating our ability to manage spend while investing in our business.

Our Wealth Solutions business has a strong and diverse unfunded pipeline. This diversification gives us confidence in continuing to grow the business while delivering on our financial targets.

Turning to Health Solutions. In the second quarter, annualized in-force premiums and fees were 16% higher year-over-year, excluding Benefitfocus, well above our long-term target of 7% to 10%. We saw growth across all product lines supported by strong sales and favorable retention. Our aggregate loss ratio was 64% on a trailing 12-month basis driven by very favorable net underwriting experience in Stop Loss. Within Group Life, we experienced loss ratios above our 77% to 80% targeted range due to greater severity. However, claims frequency was in line with our expectations. Looking ahead, we expect full year total aggregate loss ratios to be below 70% to 73%. And due to the favorability in Stop Loss during the first half of the year.

Turning to Slide 13. We had a record earnings quarter in Health Solutions with adjusted operating earnings, excluding notables of $124 million. Net revenue growth ex notables was 43% on a trailing 12-month basis, reflecting core business growth. Adjusted operating margin ex notables was 35.8% on a trailing 12-month basis, benefiting from the strong underwriting performance.

Looking ahead, we expect full year margins to be at the high end of our 27% to 33% target range. Our leading brand and differentiated workplace value proposition continues to resonate and drive momentum with our distribution partners, employer clients and customers.

Moving to Slide 14. Investment Management has a multi-decade track record of generating significant value for our clients across different market cycles. However, we're not immune to the headwinds that are facing the industry, and this impacted flows in the quarter. Institutional net outflows of $3.8 billion reflect softer client demand and strategic decisions by us to strengthen our active equity team earlier in the year. That said, we have seen a pickup in institutional client demand in the third quarter, and we are well positioned to benefit from this demand given our long track record and top decile fixed income investment performance.

International retail net flows since we began our strategic partnership with AllianzGI are now over $5 billion and led to another quarter of

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positive retail net inflows.

We are building on this momentum with the recent launch of an investment-grade credit usage. With this product, we look to drive additional flows into higher-margin U.S. dollar-denominated retail strategies that are in strong demand internationally.

We continue to grow our assets under management which were $324 billion as of June 30. The growth in assets under management was impacted by planned outflows related to our strategic partnership with Venerable, which reached its 5-year anniversary. Approximately $2 billion of institutional assets now remain, which we expect to wind down over time.

Turning to Slide 15. Investment Management delivered adjusted operating earnings of $50 million in the second quarter, net of AllianzGI's noncontrolling interest. Net revenues grew 24% ex notables on a trailing 12-month basis, driven by the addition of AllianzGI assets. On a trailing 12-month basis, second quarter adjusted operating margin ex notables was 26.4%. We reduced expenses in the second quarter by $23 million. This was in line with our guidance and our full year expense outlook supports our target to improve 2023 margins by at least 100 basis points on a market neutral basis.

Looking ahead, our well-diversified investment offering, strong investment performance and attractive product pipeline in the private and alternative space, position us well for greater scale or return to positive net flows in 2024 and further margin expansion.

Turning to Slide 16. Over the last 12 months, we generated excess capital in line with our free cash flow guidance and deployed over $1 billion of capital. In the second quarter, we generated and deployed approximately $200 million of capital. We opportunistically repurchased $162 million of shares in the quarter. We have increased our share repurchase authorization and doubled our quarterly common stock dividend, reflecting confidence in our continued strong free cash flow generation.

Looking ahead, we expect to fund our August debt maturity of $140 million with excess capital, as we continue to balance debt extinguishment and share repurchase activity to manage leverage to the midpoint of our 25% to 30% target range.

Yesterday, we took ownership of the 51% partnership interest in Voya India that we did not already own. We made a payment of approximately $50 million in connection with the closing. As Heather indicated, we expect immediate financial benefits from this action as well as significant strategic opportunities in the future. Our balanced approach to capital allocation, which includes reinvestment in our business, is driving long-term profitable growth and shareholder value.

Turning to Slide 17. We remain on track to achieve our adjusted operating EPS growth target of 12% to 17% over the 3-year period ending in 2024. We are focused on integrating our strategic assets and driving value from our partnerships. Our diversity of revenue and track record of managing through challenging macroeconomic environments gives us confidence in achieving our growth objectives. And we continue to generate and deploy capital to create ongoing value for our shareholders.

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 Wes Carmichael with Wells Fargo.

Wesley Carmichael ***Wells Fargo Securities, LLC, Research Division - VP & Equity Analyst***

First question is on Health and the results were really strong in the quarter, the Stop Loss loss ratio, that's always fun to say, was really favorable. So just wondering if there's any way you can help us with kind of the run rate earnings power in that? And maybe just how much that might contribute to overall EPS growth. I know you said you expected the kind of consolidated loss ratio to be below your target, but any help there would be great.

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

Wes. We'll let Rob start your question on Stop Loss, and then I'll ask Don to speak to the impact on EPS. Rob?

Robert Grubka ***Voya Financial, Inc. - CEO of Workplace Solutions***

Yes. Great. I appreciate that you like to say Stop Loss loss ratio, it's always fun. Look, as we have talked about the last couple of quarters, 2022 experience is what's driving this. So as we think about 1-year product, as a reminder, we're going to go through a renewal cycle here in the fall for the whole book. But what has happened in this year is that 2022 experience is it just has continued to mature and ultimately run better than we would have anticipated. At time of pricing, you're seeing the alignment of that actual experience and the reserving catch up to one another.

And so as we think about the next couple of quarters, absent material change in the experience that we've seen, we would continue to expect to be at the, call it, the lower end or under our 77% to 80% traditional guidance around Stop Loss. And so then as we sort of toggle into next year after the renewal cycle, we'll start the process over of exceeding how experience plays itself out.

But again, over time, I still think that 77% to 80% is how we want to think about the business as we move forward. This -- the block of business that over the last handful of years, obviously, we've grown from a top line perspective. We've been doing that in a really disciplined way focused on not just growing as fast as we can, but also balancing out the profitability growth. We've improved margins. So I'd say top line has been growing fast. We've been growing the bottom line margin even faster. But it's a competitive space.

Again, we'll go through renewal cycle and be able to talk more about that as we get into third and fourth quarter of what that looks like. But the fundamentals are really strong. And as we play out, I gave you a little bit of a guidance on how I would think about third and fourth quarter, and I'll stop there and let Don chime in.

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

Yes. And Wes, before I pivot to Don, I'll just reiterate the point that Rob made is the premium growth. So that is something, while we expect, over time, the loss ratio to normalize, you can expect that premium growth to persist. But Don, maybe hit the second half of Wes' question.

Donald Templin ***Voya Financial, Inc. - Chief Financial Officer***

Yes. I think just from a sort of earnings power or an EPS perspective, you'll recall at the end of the first quarter that we had guided to high single-digit EPS growth for the year. And recall that was off of 30% EPS growth in the prior year. We feel really confident about that being at the high end of that single-digit earnings growth range. And in fact, I would say the strong results in health give us confidence that we're probably pushing up into low double digits as opposed to the high single-digit range.

So we have a lot of confidence. The business is executing really well. And then as you think about sort of our 3-year guide for the EPS CAGR, we gave a range of 12% to 17% over a 3-year period ending in 2024. The strong 2022 and the strong 2023 gives us a lot of confidence that we'll be also at the high end of that range.

Wesley Carmichael ***Wells Fargo Securities, LLC, Research Division - VP & Equity Analyst***

That's all really helpful. And then just maybe pivoting to Investment Management. Just wondering if you can provide maybe a little color on the flow pipeline for the balance of the year? And maybe just your thoughts on how you're viewing your flow performance versus the industry. It looked like on the slide that maybe the gap versus an organic growth rate versus peers has narrowed a little bit. So just your thoughts there would be great.

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

Yes. Thanks Wes. Christine will give you some color on why we're optimistic for our flows as looking forward.

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

Yes, certainly, Wes. So just to kind of put into context, certainly, challenging industry overall for institutional flows and we're not immune. But when you think specifically about sort of the near term and then longer run. Near term, we've made some very conscious strategic

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decisions. I mean you've heard us on previous quarters, talk a little bit about off-ramp versus on-ramp and that sort of thing. And so specifically, what are those? We did combine the fundamental equity teams of our acquired AGI business is with our fundamental equity team really to have best-in-class and focused investors and strategy there.

So that's just a natural outcome as far as some synergies that can cause a little bit of client disruption, if you will, very conscious, formidable strong equity franchise going forward. But more importantly, we've also talked about the NNIP relationship. We did have some outflows related to that, and we do see a little bit of headwind as a result of that into the next quarter. So that's sort of the frame. But again, what I want to remind you of, and I'll throw this back to your observation and your question around the momentum in institutional flows.

Conscious decisions by us to really fortify and strengthen our business. So what do I mean? Like that chart shows you the institutional flows over a period. But if you'll recall, we delivered positive organic growth for 7 straight years. And if you look at that chart, what's changed? What's changed is the international retail really helping to drive higher basis point, higher margin business. And so I'm super excited because the same company that delivered those institutional flows is only better today because we have the global distribution partnership and newly acquired capabilities.

So private markets, you hear us talk about that insurance asset management. And again, just really fortified retail to really have an opportunity to garner flows out of Asia, which is the fastest-growing region globally for asset management. Overall, I couldn't be more excited. '23 is complex. And a lot of that is just our conscious decision to strengthen and fortify our business. So what I see is, I see going into '24 though, a lot of upside, definitely 2% to 4%, outpacing the organic growth of the industry and continuing to expand our operating margin.

Operator

Our next question is from Ryan Krueger with KBW.

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

First, I just had a follow-up. Can you give any more color on how much NNIP impacted institutional outflows in the current quarter? And any more perspective on how to size how that could impact the third quarter?

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

Yes. Thanks, Ryan. Christine will take that.

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

Sure. Thank you, Ryan. So NNIP was part of the outflows in the second quarter and then (inaudible) we're looking at a competitors on the institutional side. This seems to be an industry trend. But as far as NNIP, specifically, it will continue to be a headwind to our flows into the third quarter. But again, what I am seeing, in addition to really just the foundation I talked about is in our core businesses, our pipeline and opportunities are actually growing. So we are seeing a shift in momentum. I mean, Ryan, clients were terrified of real estate, clients were sort of sitting in cash and really not sure what to do. We're seeing a movement now into fixed income into credit. We're starting to see more engagement and signs of life from our insurance clients that we have in terms of the commercial real estate, which quite frankly, was a bad word for insurance companies for a period of time. But I think that, again, clients are getting more confident about the macro environment starting to deploy capital.

So overall, still have those NNIP headwinds, working really hard to overcome them, just seeing the growing momentum in the pipeline. And again, I see this as -- just think about this as 2023. Just look at what this business has done in the past and it's going to do in 2024. And I'm just very confident that we're going to hit organic growth targets over the long run.

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

Yes. And maybe just to reiterate a point there that Christine made on NNIP. Number one, this was as expected. You've heard us talk about the off-ramp and then the significant on-ramp with AGI. This has been built into the forecast. And just a reminder, while there are negative flows for -- from NNIP their revenue protections in '23.

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

And then on Wealth, do you view the spread income that you generated in the second quarter as a reasonable run rate going forward? Or could there be some additional downside from here?

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

Sure. Rob, do you want to take that?

Robert Grubka ***Voya Financial, Inc. - CEO of Workplace Solutions***

Sure. Yes. Thanks, Ryan. Yes, so as we -- and Don really, I think, hit the main point when I -- just to put context on the spread dynamics and what's going on. It's easy to sort of think about the gross investment yield side of the story and think about, okay, you can make crediting rate decisions. And what we've seen emerge over the last couple of quarters to your question, is this behavior piece of our policyholders. And so what are they doing that's different than they did 12 months ago, there's just been some material changes there. So as we think about, is that going to change this quarter? Is it going to change next quarter? Is the market environment, if it stays the way it is, how long does it persist? There's more questions than answers at this stage.

So as we look at it, doing the step back, obviously, spread is an important part of how we make money in the business and how we set targets. But I just sort of do the step back and say, boy, we figured this out since we've been a public company on how to continue to hit operating margins that meet our expectations and your expectations so that 36% to 40%, we feel good about staying in that range throughout the rest of the year. And I think as we get past, what in '22, was a really quick and rapid run-up in spread income. That will sort of start to fall off and then our opportunity to kind of get back into net revenue growth being in that 2% to 4%, we feel good about as we get through this period of time. And so the nuances, I think this quarter and the next couple of quarters is really around the client policyholder behavior piece.

But I'll just come back to we still net-net, feel good about when you look at it in totality, the revenue piece of the story, the spread piece is obviously a piece of that and then the fee income and then how are we going to manage expenses. And so we feel good about being at the right overall margin level and so the pieces and parts here were just -- we're a little bit cautious on overly being precise around this client policyholder behavior piece of things.

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

And maybe one build on Rob's comment is you've heard us talk for a number of years about the revenue diversification within our Wealth business. And the fact that we've got the combination of spread, equity market, participant-based surrenders and that diversification has allowed us to continue to navigate through different cycles as it will going forward.

Operator

Our next question is from Erik Bass with Autonomous Research.

Erik Bass ***Autonomous Research US LP - Senior Analyst of US Life Insurance***

Can you talk about the decision to buy in India JV and maybe provide a little bit more color on what this business does and what the transaction means for the company moving forward?

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

Yes. Sure, Erik. I'm happy to take your questions. So if you do a step back in 2019, we established a joint venture with an India technology company called SLK that really focused on establishing a global operations and technology center. The strategic rationale for doing this was to build out capabilities to help us drive efficiency, scale and innovation. And specifically thinking about building out capabilities in infrastructure support, application development, data analytics security as well as just operational efficiency. And so we did that in 2019 and has been, I think, really a great strategic move for us. And during that time, really how you see it reflected is, it is embedded in the operating margins of our businesses. So in our -- what Rob just mentioned, our ability to maintain operating margins for a number of years. This is what has been one of the key capabilities. And so for us to acquire the really other half the 51% of it, we just consider that a very logical next step to acquire full ownership of a great capability.

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It allows us to have these employees as Voya employees, very strategically aligned. And then lastly, how to think about it on a go-forward basis is we see this as a capability we can expand and is going to help be a contributor to operating margin improvement within our asset management business. And as we continue to drive innovation and think about technology advancements, automation, AI, that kind of capability, we just -- we're really, really pleased with Voya India. So hopefully, that gives you some context.

Erik Bass ***Autonomous Research US LP - Senior Analyst of US Life Insurance***

Yes. And then if I could switch to recordkeeping. It's a very strong quarter for flows, and we've seen some public announcements recently on some nice wins. So I was hoping you could just talk about the outlook for this business. And maybe one of those announced deals are kind of have hit in the P&L and what are still to come?

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

Yes. No, Rob can certainly take your question. And I think this is a good place where diversification of markets plays out well. So Rob?

Robert Grubka ***Voya Financial, Inc. - CEO of Workplace Solutions***

Yes. No, great point, Heather. This is one where we're really excited about what we've got sort of in hand, unfunded in some ways -- in some places, but what you saw in the quarter was a particular case that came in. It wasn't the only one, but it was a rather large one. And then as we think about ahead, there is more to come, both in '23 as well as a pipeline into '24 and '25. So we feel good about the activity that we've seen in that space. This has been a story that's just continued to sort of build momentum and Voya's presence in this part of the market.

We feel like we've certainly turned the corner on ability and right to win in this space, and we'll continue to leverage that ability and right to win as we think about the large, middle and small end of the marketplace, we're going to squeeze all of these opportunities into new innovation, new ways to serve and think about driving the outcomes that we're all trying to strive for.

So we're excited about the activity that we've seen, again, a lot in hand, and we're always working the pipeline of opportunities, but we feel really good about the progress that we're making in that space.

Operator

Our next question comes from the line of Tom Gallagher.

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

And on the $7 billion of divestitures in Investment Management in the quarter. Can you comment on -- Don, I think you had referenced it and mention, I believe was it mainly venerable. And I think you said there were $2 billion of assets remaining that could outflow from that transaction. Anyway, I guess it's the third quarter in a row where you've seen some negative impact from that line item. Can you comment on what drove that? And is there any tail left on that, that we're going to likely see in the coming quarters?

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

Yes. Thanks, Tom. Christine will take your questions.

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

Sure, Tom. And so just very quickly, like a step back around what is in that other category is that it would include fixed account flows for Voya and divested businesses. So kind of traditional general account. And part of those went to Venerable as part of the, obviously, an incredibly strategic deal and beneficial for Voya in the divesting of our Variable Annuity business as well as Resolution. So how to think about what happens? The Venerable contract, as expected when we did the deal, they had a 5-year contract with Voya Investment Management for us to manage their general account assets. And not unexpectedly, when you think about private equity-owned companies, strategic value for them, and certainly, they -- with Apollo and Athene, they have in-house capabilities to manage assets. So it wasn't unexpected for us and it certainly is captured in our operating margin targets, our revenue targets and forecast.

And so how to think about the remaining relationship that Don referenced with Venerable on the general account side? I mean, certainly, some of those assets are likely to remain. I mean, this was -- we've been a strong performer and have some pretty differentiated

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capabilities, but also some of them, such as commercial real estate potentially, we are the servicer of those assets and they're sticky and less liquid. So I don't really want to speak specifically to a client sort of forward-looking view. But again, incredibly manageable when you think about everything we've done. And then just quickly, what I'd like to also just kind of pivot to is just to remind everybody, this business, 5, 6 years ago, we were managing over $90 billion of Voya general account assets. That's now less than $40 billion.

What have we done in the meantime? We've really focused on growing our external client business. You hear us say we have over 60 insurance clients today. But just from an outside-in proof point for you, there was a recent industry report that came out that shows that we ranked #3 in the United States as the asset manager for outsourced private fixed income capabilities. So think private debt, commercial real estate; number three, Voya Investment Management. So again, this is a proof point. Our focus is pivoted forward, continuing to focus on that insurance DNA that we have, to continue to grow that client base in that business.

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

And maybe just kind of build is -- sorry, Tom, I just was going to do the reminder that the Venerable transaction was a really good deal for Voya and our shareholders. So just kind of doing that look back. But I'll turn it back to you, Tom, for a follow-on.

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

Heather and Christine. Yes, just a follow-up on that. I hear you and I don't think anyone is going to have issues with the merits of that transaction whatsoever. I think from re-rating overall capital freeing up perspective was quite attractive. Just trying to get a sense for the remaining legacy for both that and also the deal with Resolution. So is it like -- are we likely to see a continuation of outflows? I assume this, we're not going to see $7 billion again. This seems fairly sizable. But is it likely we're going to see a continuation of outflows coming through those divestitures related to those, would you say? Or do you think we've seen the vast majority of them already happen?

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

Yes. Christine will speak to it.

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

Yes, absolutely, Tom. Probably the best thing to do would be to look at the announcements around the Resolution deal. So we manage assets for Resolution Life. And as part of that deal, we have a schedule of retaining general account assets. So I think that, that expires, it was 7 years. So I think that expires in 2027. And it has been on a glide path down and so what started at $24 billion is now $15 billion.

So just to size that for you. But again, just expected built into our financial forecast, again, nothing performance related. We have a great relationship, both with Venerable and Resolution. Certainly, it has been an area of focus to serve them well and will continue to be, and again, I'm super excited when you think about sort of the insurance shops that we have that we're -- again, complicated year. It's sort of again sort of the front 2 story, right? So some legacy businesses and the pivot too is really our insurance practice and then also, we have a strategic relationship with Allianz Life and their portfolio. So that has been seen as a growing part of our business, which is exciting as well.

Operator

Our next question comes from Suneet Kamath with Jefferies.

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

I wanted to start on the excess capital, which I think is $500 million sort of flat quarter-over-quarter. Should we view that as sort of fully deployable capital? Or should we think about second half capital deployment really being a function of the capital that you generate.

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

Thanks, Suneet, Don will take your question.

Donald Templin ***Voya Financial, Inc. - Chief Financial Officer***

Sure. So maybe let me start with just reminding folks that we have a strong and long track record of returning capital to shareholders and we've been thoughtful, balanced and disciplined around that. The other thing that we've done consistently is we've retired debt we've been repurchasing shares so that we can prudently manage our balance sheet and our leverage ratio. So that's sort of the

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backdrop.

Obviously, there were some headwinds or some uncertainties around the economy, macroeconomics heading into 2023. Some of those still exist. So we've been thoughtful and maybe a little bit prudent around having a lot of excess capital here, the $500 million. We think that's a really good position to be in. You'll recall that we repurchased shares and we retired debt. We had a debt -- senior debt maturing in August. And so for the second quarter, we were very focused on repurchasing shares. So that's the activity that consumed our capital in the second quarter.

In the third quarter, there's a natural point to retire some debt. So to manage debt. So there will be $140 million of that $500 million that's going to be used to retire that debt. And then you should expect that given our capital light, high free cash flow generation business that we are going to generate significant excess capital next quarter -- or I mean, this quarter, next quarter and into the future and that excess capital, we plan to return to our shareholders through share repurchases.

So there will be periods where there may be a little heavier on share repurchase versus debt Retirement or a little heavier on debt Retirement versus share repurchase, but we are steadfastly committed to returning capital to shareholders. And in fact, we had the Board authorized an increase in our share repurchase authorization by another $500 million taking us to about $609 million of availability.

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

Got it. That makes sense. Maybe just a follow-up there. So should we assume that the majority of the capital that you generate going forward will be used for buybacks? Because I thought in the prepared remarks, there was a comment around being a little bit more balanced in terms of capital deployment. So I just wanted to flesh that out a little bit.

Donald Templin ***Voya Financial, Inc. - Chief Financial Officer***

Yes. I think that reference was really we have $140 million of senior debt that's maturing in August. So this month, so we wanted to make sure that people didn't overlook that. But yes, we're big believers in returning capital to shareholders. We think that's a really, really important part of an investment thesis in Voya. So I think you should be thinking that we will be deploying that excess capital to share repurchase, but we are going to continue to manage our leverage metric. I mentioned that we're going to probably kind of work to the middle of that 25% to 30% range, but we don't have to do that immediately. I mean we're going to do that on a measured and paced way.

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

And I think you can also expect us to continue to be balanced and how we've invested in our business to drive growth just as we have done over the past number of years. So completely reiterating Don's point around share repurchase is going to be an important lever to drive EPS growth going forward.

Operator

(Operator Instructions) Our next question comes from John Barnidge with Piper Sandler.

John Barnidge ***Piper Sandler & Co., Research Division - MD & Senior Research Analyst***

My question, you talked about a strong pipeline for Wealth Solutions ended '24 and even '25. Where does that visibility come from? Because you talk about the right to win. Is it coming from previous Retirement providers that customers anticipate are exiting due to lack of scale? Or is it related to the liability consolidation we're seeing in the industry?

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

Yes. Thanks, John. We'll let Rob speak to your question. But again, it goes back to what we talk about as the diverse markets we're in from different tax codes and sizes where we've had competitive positioning. But Rob, love for you to elaborate.

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Robert Grubka ***Voya Financial, Inc. - CEO of Workplace Solutions***

Yes. No, yes, great question, John. I mean, look, the visibility or opportunities. These -- especially in that recordkeeping market, at the plan level, the complexity as you sit back and think about like, okay, large plan is just a large plan, but likely it's plans of plans of plans. They've got a lot going on within their benefit environment. You think about whether it's a state-based plan and what they're trying to aggregate together, bring together and you can start to get a feel for like, okay, yes, there's complexity here because it's not just all one sort of flavor of vanilla. There's a little Baskin-Robbins mixed in this where there's a lot of different flavors of plans, and they're carrying a lot of history with them.

And so that's a little bit of context on just like, okay, well, what brings these things to market is going to be like falling down on maintaining that and the continuity of the service. The experience, how do you integrate these things together depending on what any particular plan provider does, they may be doing things on their own from a digital perspective? And how do you integrate with those environments?

So I won't belabor that, but you get the point that there's just a lot of complexity in them as they get bigger, and it's not just a one size fits all. And so you've got to have the capability to bring these things, integrate these things and do it in a way that is consistent and feels cohesive to not only the employer, but ultimately, their employees who may have assets in more than one place is their careers have evolved and so on. So that's a little bit of like what brings it to market.

And then there's an element of people need to make sure from a fiduciary duty perspective, they're doing their duty and they're going to go to market, test market and understand that they've got the pricing they think they should or not. So those are a couple of the bigger dynamics. But again, as you step back and we think about the look through and me talking about stuff that's 2025 and trust me, there's things that are probably 2026 in-house right now of thinking about those sorts of opportunities and then it's execution. And it takes a while with that level of complexity I just described to bring these things on board, make sure the integrations and things happen in the way that they need to and sort of there, you see and feel the complexity and then sometimes the timing uncertainty that comes with whether things are coming or going in the book, those are just dynamics that are evolving and how the teams are working to bring something on board and/or exit something.

So those are things that we think we do well, whether they're coming or going because we want to earn the right to get a new opportunity in the future. So the teams drive incredibly hard to deliver on what we need to deliver on there. And again, I think we built a lot of credibility over the last several years and Heather was a big piece of that. Heather, do you want to add anything else there?

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

The only thing I would add on it is just the trends with SECURE Act and the growth and the strength we have in the emerging markets and the team continues to drive success. And then, again, we talk about the diversification of markets and being #1 in the government market, and we've seen a lot more consolidation in that space. It just goes to really the strength of Rob's team across different tax codes, different size plans. And so I think all of those factor into the confidence we have in the pipeline.

John Barnidge ***Piper Sandler & Co., Research Division - MD & Senior Research Analyst***

Maybe my follow-up question will be sticking with Wealth. You talked about diversification across different tax codes. We have the potential for student loan payments resuming. How do you think through that impacting demand out of some of those tax codes? And is it actually an opportunity to think through debt relief solutions that can be partnered into it?

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

Rob, do you want to take that?

Robert Grubka ***Voya Financial, Inc. - CEO of Workplace Solutions***

Yes. No. Look, John, it's a great question. Again, doing the step back on it, there's so many things that get in the way of the consumer knowing where to allocate their paycheck. And as you alluded to, student debt is a big part of the puzzle they're trying to figure out whether it's excess medical things come up or family situations that vary across a wide variety of things. That whole short-term and/or near term or long term in this case on the student debt piece of things, but there's a lot to think through.

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I think this is actually one of the elements you're going to ask it in the context of Wealth, but we do the step back and think about our strategy to bring the workplace benefits and savings together, this is an area where I get excited, I think the team collectively gets excited about well, how does Benefitfocus and their capabilities fit into this? And how do we think about that connected experience. And whether it's something that Voya is providing a particular solution to or we're partnering with someone to do it. This is an area where we think there's going to be ever more opportunity for us to get creative, get more thoughtful in how we come at helping consumers, the employees ultimately figure these things out and evaluate their options.

There are plenty of solutions how to evaluate them and think about them in the context of everything else and employees trying to balance out. I think that's a big problem to solve, which equates to a big opportunity for companies like us. So I'm optimistic that there's going to be a lot of innovation on this front, and I think we're going to get smarter, faster given the assets that we have in place here at Voya now.

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

Yes. And maybe a final build before we close as you think across the Health and Wealth, we are seeing that and integrated guidance drives better outcomes and connect the experience for employees drives better engagement. And that's really what -- kind of why we exist as a company is to help our customers improve their outcomes.

Operator

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

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

To summarize, we will continue to be relentless in executing on our plan, focused on revenue growth, margin expansion and prudent capital management. We remain confident in our growth objectives, including the 3-year EPS CAGR target of 12% to 17% that we have reaffirmed today. Our confidence is driven by the proven benefits of our diversified business model and our track record of delivering results. We remain focused on delivering outstanding service, innovative solutions and a market-leading experience for our customers with even more in store for the future. We look forward to updating you on our progress. Thank you for joining us today.

Operator

This concludes today's conference. You may disconnect your lines at this time, and we thank you for your participation.

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