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VOYA.N - Q1 2025 Voya Financial Inc Earnings Call

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OVERVIEW:

Company Summary

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Mike Katz *Voya Financial Inc - Executive Vice President, Chief Financial Officer*

Jay Kaduson *Voya Financial Inc - Chief Executive Officer - Workplace Solutions*

Matthew Toms *Voya Financial Inc - Chief Executive Officer - Voya Investment Management*

CONFERENCE CALL PARTICIPANTS

Ryan Krueger *KBW - Analyst*

Tom Gallagher *Evercore ISI - Analyst*

Joel Hurwitz *Dowling & Partners - Analyst*

Elyse Greenspan *Wells Fargo - Analyst*

Wes Carmichael *Autonomous Research - Analyst*

Kenneth Lee *RBC Capital Markets - Analyst*

Suneet Kamath *Jefferies - Analyst*

Alex Scott *Barclays - Analyst*

John Barnidge *Piper Sandler - Analyst*

PRESENTATION

Operator

Good morning. Welcome to Voya Financial's first-quarter 2025 earnings conference call. (Operator Instructions) Please note this event is being recorded. I would now like to turn the call over to Mei Ni Chu, Head of Investor Relations.

Mei Ni Chu - Voya Financial Inc - Head of Investor Relations

Good morning, and thank you for joining us for Voya Financial's first-quarter 2025 earnings conference call. As a reminder, materials for today's call are available on our website at investors.voya.com. We will begin with prepared remarks by Heather Lavallee, our Chief Executive Officer; and Mike Katz, our Chief Financial Officer.

Following the prepared remarks, we will take your questions. I'm also joined on this call by the heads of our businesses, specifically Jay Kaduson, CEO of Workplace Solutions; and Matt Toms, CEO of Investment Management.

Turning to our earnings presentation materials that are available on our website. On slide 2, some of the comments made during today's discussion may contain forward-looking statements and 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 Investor Relations website.

And now I will turn the call over to Heather.

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

Thank you, Mei Ni. Good morning, and thank you for joining us today. Let's turn to slide 4. Let me start with what continues to differentiate Voya, especially in today's environment. Our capital light businesses generate diverse revenue streams and have allowed us to consistently generate free cash flow across all market cycles.

Our strong capital and liquidity positions support our healthy balance sheet, giving us confidence even in adverse markets. And the need for innovative, value-added workplace solutions supported by top-notch asset management continues to grow. For these reasons, Voya offers a resilient and relevant business model with a clear commitment to creating long term value for our stakeholders, making us a compelling investment opportunity.

Turning to highlights from the quarter on page 5. I'm encouraged by the results we delivered across our businesses, which were driven by continued execution against our strategic priorities. In Wealth Solutions and Investment Management, we delivered strong commercial results, highlighting continued momentum into 2025.

In Wealth Solutions, we achieved defined contributions organic net flows of approximately \$30 billion. Additionally, we added \$60 billion in assets from the OneAmerica acquisition, which closed in January. Together, these results are a clear indicator of our focused execution and competitive differentiation.

Momentum is strong in 2025 with a 7% increase in Full-Service known sales in the first quarter as compared to the prior year. We also have robust commitments in the large and mega space, set to fund in 2025 and 2026, particularly in large corporate and tax-exempt markets.

In Investment Management, we generated net cash flows of \$7.7 billion representing 2.5% organic growth in the quarter. Our strong net flows were across a breadth of strategies, including both the institutional and retail markets. Additionally, our investment platforms, including fixed income, private assets and multi-asset continue to demonstrate strength.

Our pipeline remains strong and diverse, supporting our objective of achieving our long term organic growth target of over 2%. We improved margins in Health Solutions in the first quarter. Our goal is to stabilize our Stop Loss experience, and while early, we are off to a good start.

Before I turn it over to Mike, I want to take a moment to acknowledge the broader environment in which we are operating. Economic signals have been mixed and market volatility has remained elevated, which leads us to proceed with caution.

This is a more complex environment than we've seen in some time, and we remain mindful of this backdrop. But our results this quarter underscore the strength of our business model and our ability to focus on the levers that matter most, commercial momentum, cash generation and maintaining a healthy balance sheet.

Finally, I want to recognize our team in a dynamic environment, their focus and execution continue to make a real difference. With that, Mike will now provide more details on our performance and results. Mike?

Mike Katz - *Voya Financial Inc - Executive Vice President, Chief Financial Officer*

Thank you, Heather. Let's turn to our financial results on slide 7. We reported \$2.00 of adjusted operating earnings per share in the first quarter, a 13% increase over the prior year. Results reflect the progress we are making on our near term priorities.

This includes favorable performance in Health Solutions, earnings contributions from OneAmerica, and strong commercial momentum across both Wealth Solutions and Investment Management. Offsetting this, alternative income was \$0.15 below our long term expectations at an annualized return of approximately 5%.

We expect second quarter alternative returns to be below long term expectations due to the current macro environment. We generated approximately \$200 million of cash in the quarter, above our 90% target. GAAP net income was below cash generation due to non-cash items emerging in the quarter.

With that, let me turn to our segment results. Turning to Wealth Solutions on slide 8. We generated \$207 million of adjusted operating earnings in the quarter. This represents growth of 11% year-over-year. Our results reflect higher fee-based revenues, as we continue to organically grow both participant and AUM balances.

We added over \$60 billion of assets with OneAmerica and retained approximately 90% of plans consistent with our expectations. Additionally, we generated approximately \$30 billion of total Defined Contribution net inflows in the first quarter. This included net inflows in Recordkeeping driven by large wins in healthcare and government markets. Full-Service net flows before OneAmerica were also positive, driven by strength in emerging markets.

While we are encouraged by first quarter results, equity markets will affect our second quarter AUM balances and in turn, revenues. Looking forward, our relentless focus remains on driving value through our retirement solutions and the support we bring to our customers, which now exceeds 9 million participant accounts.

Turning to Investment Management on slide 9. Adjusted operating earnings were \$41 million in the first quarter. Higher management fees across both institutional and retail channels were offset by lower investment capital returns and increased seasonal expenses. In the quarter, we generated \$7.7 billion of net inflows across a breadth of clients, strategies and channels.

We generated \$5.2 billion of institutional net inflows. This included the launch of a private equity fund, demand for core fixed income and private credit strategies in the insurance channel, and the launch of three CLOs. First quarter retail net inflows of \$2.5 billion included positive flows, both domestically and through international channels.

Looking ahead, we have a competitive track record of long term investment performance. Our focus is on ensuring we continue to deliver for our clients and remain a trusted partner for their current and future business.

Turning to Health Solutions on slide 10. Adjusted operating earnings for Health Solutions were \$46 million in the quarter. In Stop Loss, positive prior year reserve developments drove the favorable results, as first quarter experience supported lower expected loss ratios.

The January 2024 cohort is now over 90% complete as of March 31, and will be near-complete early in the third quarter. Our estimated loss ratio for the January 2025 Stop Loss cohort is 87%. It is early in the development of this block, as we expect experience will be more credible in the third and fourth quarter of this year.

Turning to Group Life. Elevated claims were driven by higher claims frequency in January, which normalized in February and March. In Voluntary, while claims experience was in line with expectations, we increased reserves in light of the uncertain environment and the potential impact that may have on utilization. This quarter demonstrates progress in meaningfully improving margins in Health Solutions.

Turning to slide 11. Our balance sheet remains strong. We ended the quarter with excess capital of approximately \$150 million, and a RBC ratio of 385%. As planned, we repaid approximately \$400 million of debt in February, bringing our leverage ratio comfortably within our target range.

Capital generated was strong in the quarter, and fully funded our investment in OneAmerica. We also returned capital to shareholders in the form of common stock dividends. In the second quarter, we expect to further strengthen our excess capital. Looking ahead, we believe companies with healthy balance sheets and high free cash flow businesses are well positioned to navigate volatile environments and drive value for their shareholders.

Turning to slide 12. We generate strong free cash flow while delivering an attractive return on equity. Our ability to generate consistent strong free cash flows is driven by how we operate our three businesses, including through challenging macro environments like today.

Our diversified revenue streams, expense discipline and healthy balance sheet gives us confidence as we continue to execute on our key priorities and deliver for our stakeholders. I'll now turn it back to Heather.

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

Thanks, Mike. We've made progress on our key priorities in the first quarter. These results underscore not only the strength of our complementary capital-light businesses, but also the trust our clients, customers, and distribution partners continue to place in us.

The work we do in guiding our customers through market uncertainty highlights our purpose and has never been more important. With that, I'll turn the call over to our operator so that we can take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ryan Krueger, KBW.

Ryan Krueger - *KBW - Analyst*

Hey, thanks. Good morning. My first question is on Wealth earnings. You had guided to 35% to 39% margin coming into the year. You were in the upper half of that in the first quarter despite what is typically higher expenses.

Can you give us some more color on was there anything unusual that benefited the results this quarter or do you think this is a reasonable run rate going forward, acknowledging that the market is uncertain? But I guess if the market remains, if the market has normal returns for the rest of the year, is there anything unusual that benefitted the quarter? Is this a good starting point?

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

Thanks, Ryan. Mike will take your question.

Mike Katz - *Voya Financial Inc - Executive Vice President, Chief Financial Officer*

Yeah, hey Ryan. So the only piece I'd really call out in the quarter was that the spread-based assets were a little higher than what we would have expected. I think it's reasonable to think that spread-based assets will continue to moderate down.

However, we have seen some offsets in April, just given the macro volatility where there's been more variable to fixed transfers than what we've seen in the past. If I think about Wealth just more broadly on the outlook, obviously, OneAmerica plays a role.

Ryan, you just talked about the macro piece, we give the sensitivities. So that will play out as it plays out. And then there'll be some expense seasonality in Wealth. You can look at last year as a proxy, I wouldn't go as far as what we saw last year on the drop in expenses because we are making some targeted investments; not a dramatic amount, but when you're looking at expense changes, there's a small offset from there. So that's how I would think about the second quarter.

Ryan Krueger - *KBW - Analyst*

Great. Thanks. And then just a quick one on Voluntary. I think you added some reserves for a potential uptick in utilization. Can you give a little bit more detail on why you did that? And then also, is the high 40s loss ratio still a good expectation there?

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

Hey Ryan, I'll ask Mike to start with your question, and then perhaps Jay can add a broader view of how we're looking at the Voluntary business going forward.

Mike Katz - *Voya Financial Inc - Executive Vice President, Chief Financial Officer*

Yeah, Ryan. So you're thinking about it right, with respect to just strengthening some of the reserves given the economic uncertainty that is just surrounding all of us right now. So we did increase IBNR in the quarter for the potentially higher utilization that may occur later this year.

We do use IBNR as a way to try to smooth out results. But just as a reminder, a lot of the experience comes in the fourth quarter, that's typically when our clients and customers are looking at open enrollment. They're reminded they have these benefits. And so we won't really know until the end of the year exactly how this lands.

And so as you mentioned, those high 40s is a way to start to think about where the utilization is. What happened in the first quarter is very consistent with that. And then we added a couple of points to strengthen reserves. You'll see that reveal itself in the second quarter. You'll see it reveal itself in the third quarter, and then we'll update you in the fourth quarter on how things ultimately landed.

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

And Jay, a little bit of a forward view on how we think about Voluntary?

Jay Kaduson - *Voya Financial Inc - Chief Executive Officer - Workplace Solutions*

Sure, Ryan, thanks for the question. I appreciate it. Well, if you think about Voluntary, it's important to note that Voya right now is a top three leader in the Voluntary and Suppl Health marketplace. It's a marketplace that's rapidly expanding.

Overall, we think about the value that we're bringing to our customers in this space. We understand the customer value journey. Right now, we're continuing to look for ways to improve the member experience. In addition to that, I'd call out that in 01.01.25 open enrollment, we deployed some new guidance tools to support our customers, and this had a direct impact on driving up participation rates by 18%. We like the business, and we think right now we're well positioned.

Operator

Tom Gallagher, Evercore ISI.

Tom Gallagher - *Evercore ISI - Analyst*

Good morning. First question is on Stop Loss. So I just wanted to get a better handle on this 87% estimated loss for the 2025 accident year. Can you talk a bit about how you arrive at that estimate? Are there any leading indicators for the underlying book of business you have that you're tracking? Or is it more a general medical loss cost inflation estimate that informs you of that 87% number?

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

Thanks, Tom. I'll ask Mike to tee that up, but really start, I think, with 2024, which gives you a bit more of a walk to 2025. So Mike?

Mike Katz - *Voya Financial Inc - Executive Vice President, Chief Financial Officer*

Yeah. And Tom, thanks for the question. As Heather mentioned, Stop Loss continues to be a very high priority for Heather, Jay and I. We've taken the difficult lessons that were learned in 2024 and really put them into practice late last year as well as this year. That applies to both how we're reserving for this business, but also how we're pricing it.

And as Heather just mentioned, I'm just going to touch on 2024 briefly, and then I'll get to your question on 2025. We did reduce the expected loss ratio from 95% to 93% for that January 2024 cohort. And that's really due to the fact that, as we're looking at experience in the quarter, that's coming through better than what we reserved for.

As I mentioned in the materials that we just covered, we estimate that we're approximately 90% complete coming out of the first quarter, and we expect that book to almost fully complete in late second, early third quarter.

Now as it relates to that '25 business that you asked about, Tom, I would really think about it more around how is this performing relative to the 2024 cohort and the work that we did both on where we set rates and how we performed our risk selection.

As a reminder, we achieved a 21% average net effective increase for that January 2025 business. We believe that's above expected medical trend, and we achieved even higher rates for underperforming cases. We also improved our underwriting, including our approach to known claims, which was a key driver of the elevated loss ratios last year.

And so I would think of it more as the leap off from 2024, Tom, than necessarily a lot of leading indicators. But when we step back and think about this business, the annual renewable nature of it allows us to take these type of decisive actions around rates and risk selection. Still early in the completion of the book, and so we'll continue to put these insights gained into practice and keep you and our investors fully posted on how things emerge.

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

And Tom, if I can just emphasize three key points that Mike hit on. Number one, 2025, it is early. We'll know more in the third and fourth quarters. Second is that our teams are maintaining the same level of focus and discipline into 2025 heading into 2026 that we carried into the 01.01.25. And I'll say again, I'm proud of this team. This is a top priority and is a big lever for us to continue to drive cash generation.

Tom Gallagher - *Evercore ISI - Analyst*

That's very helpful. I appreciate it. It makes a lot of sense building off of 2024 and then you believe you're getting rate in excess of loss cost trend, that all makes sense to me. Do you have any surveillance tracking mechanism on the underlying claims experience of the book where you've provided the Stop Loss?

So at least, we'll say by 2Q, you might get a sense for certain claims emergence are likely to hit your limit or not? Where your claims would kick in? Or is it more, you don't really have any visibility until the claims hit you, if you know what I mean? Like is there any visibility you even have on the underlying before they get to your attachment point? Or is it more you're informed after you get to attachment?

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

Yeah, I'll start with that, Tom, it's Heather. So first, as you can imagine, Mike and I continue to stay very close to this with the team, as is Jay. So a couple of things that I would say is, we continue to look at seeing very, very early how our claims are coming in for 2025.

We do get, let's call, the 50% notice report. So we are getting reports when claims are approaching 50% of the deductible. So there is some early view. We also have some ability to look at first dollar trend through our Benefitfocus business where in that business, we get a view of just seeing how the first dollar trend is coming in.

It may not necessarily be on the same clients we have Stop Loss, but it does give us some early view. And I think the final thing I would mention is we are certainly continuing to stay close to our advisers to see how our trends are emerging in the broader health sector. Just again, given some of the uncertainty that we've seen over the years. So we're going to continue to be very close to this.

Operator

Joel Hurwitz, Dowling & Partners.

Joel Hurwitz - *Dowling & Partners - Analyst*

Hey, good morning. I wanted to go back to Voluntary top line. So the top line slowed in the quarter, up a little less than 4% year-over-year. You've had several years of exceptional growth in that business. Is this more just you reaching scale and more difficult comparisons or is there something else driving the lower top line coming out of 01.01.25?

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

Yeah. Joel, it's Heather, let me start on that. In 2024, we had some very large wins in Voluntary that didn't repeat coming into the 2025 season. But let me turn it to Jay to just give you a view of what we're seeing in the market.

Jay Kaduson - *Voya Financial Inc - Chief Executive Officer - Workplace Solutions*

Yeah, that's right. It's a good question. Thanks, Joel. Listen, the Voluntary business right now, our pipeline is exactly where we want it at this point in the year. There were some lower jumbo cases that came in Q1 versus same period last year.

But in terms of the activity in the pipeline and the persistency of the book, we like where the business is. So I think commercial momentum is strong. And again, these large jumbo cases are lumpy. And as they come through, we'll take advantage of them with appropriate pricing, but we like where the business is right now.

Joel Hurwitz - *Dowling & Partners - Analyst*

Got it. And then just shifting gears. In the past, you've talked about building out Retail Wealth capabilities. Can you just provide an update on the plans there to try to capture that opportunity? And then should we be thinking about some sort of investments impacting expenses in Wealth over the rest of 2025 and maybe into 2026?

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

Yeah, let me start on that because it's something that I've talked about on prior calls. We've said that we're making very modest investments in building out Retail Wealth Management capabilities that are already baked into the expense forecast for the Wealth business.

Specifically, what I've talked about is that we are hiring additional field and phone-based advisers. Today, we have over 420 advisers that are dedicated to our tax-exempt business. A very, very strong foundation. We're also making modest investments within our technology capabilities to support our advisers. So we think that's important.

And lastly, and I'm going to turn it over to Jay, but this is one of the reasons I hired Jay. He's got a real extensive background in Retail Wealth Management. And we see this as an important capability in the coming months and years to be able to support our clients and really expand our broader Wealth capability. But Jay?

Jay Kaduson - *Voya Financial Inc - Chief Executive Officer - Workplace Solutions*

Thanks for the question. Yeah, we've got a strong foundation. If you think about the existing business today, with 450 advisers, both field-based and sales-based, we've got a great opportunity to provide holistic advice at the workplace, which is exactly what our clients are asking for.

In addition to that, as we think about the business that we have, it's great synergies inside our Wealth business. We like where we're at. We like some of the tools that we've been bringing to the team and to the marketplace. And we see this as a tremendous opportunity to kind of capture what is a growing part of the business in the industry. We're well positioned.

Like I said, I'd also like the team that we have. We're in my early days here at the firm, I've seen some great talent on the field, but we've also had a great chance to recruit some top talent in the marketplace. And so the team we have heading into the second quarter is a really strong one that's got a lot of experience. So overall, really excited about the business and like where we're at.

Operator

Elyse Greenspan, Wells Fargo.

Elyse Greenspan - *Wells Fargo - Analyst*

Hi, thanks. Good morning. Last quarter, you guys were talking about \$750 million of free cash flow for the year and 90% conversion. And obviously, there are some investments this year in Leave Management.

I know, Mike, you said that translated into around slightly less than \$8 per share of earnings this year. Does anything change relative to that figure with the Q1 results. I would assume there's some upside on Stop Loss, but anything else you would point out and if you want to update thinking relative to the \$8 per share?

Mike Katz - *Voya Financial Inc - Executive Vice President, Chief Financial Officer*

Yeah, hi, Elise. So yeah, we did share some implicit guidance based on normal markets last quarter. And while we're not sharing guidance, you can use that as a place to start with your outlook. You just talked about some of the things that we need to think about.

You need to think about macro sensitivities as really the biggest piece and make sure that you're adjusting for that, particularly on the Wealth and Investment Management business.

As it relates to Health, we did release reserves in the quarter. That certainly will help the calendar year. As you look forward, I would think about the Stop Loss business really being 87% of the premium that we're receiving each quarter as kind of the base case.

For Group Life, we talked about in the prepared remarks, that was elevated in January. It's normalized in February, March, and it has in April. So I would think of that getting back to the normal range in the second quarter. And then Voluntary, we talked about it with some of Ryan's questions.

The second thing I would think about is the seasonal expenses. We alluded to that on the Wealth side, there'll be some seasonality there, not at the levels that we saw last year, but there will be seasonality with Health. You can look at last year as a good proxy for how much we expect that to drop in the second quarter.

And then for IM, you should actually expect a little more seasonality. We had elevated seasonality this first quarter, given some of the performance that we had in the fourth quarter and the compensation related to that.

And then maybe the last piece I'd call out is just the commercial momentum in the quarter. We had approximately \$30 billion of flows in Retirement. We have \$7.7 billion of positive flows in Investment Management, so that will certainly help the calendar year results.

Elyse Greenspan - Wells Fargo - Analyst

Thanks. And then my follow-up. I want to go back to Stop Loss and if you could just provide a little more color on what changed in the quarter that really drove you taking down that loss ratio by considering it was revised up throughout last year?

And then my second, part of that question is just would the expectation still be where you see things today that you expect to get back to target margins within Stop Losses in 2026?

Mike Katz - Voya Financial Inc - Executive Vice President, Chief Financial Officer

Yeah, Elyse, it's just experience. We reserved for a 95% level and coming out of the quarter, the appropriate amount of reserves is the 93% level. So it's just really how the experience is emerging with respect to what we reserved for. So it's just that simple.

As you think about that target range, I would kind of bifurcate it into two elements. First, what are we pricing for? And then second, when do we expect to report our earnings at a loss ratio consistently in that range?

On the former, that's how we're pricing today. That's what we did going into January 2025 business, that's what we're doing throughout the year, but we continue to expect a two-step process here. As Heather mentioned earlier, that 2025 business, we'll know a lot more about it at the end of this year. So that will give us a sense of how things are going to ultimately end up. And so I would continue to think two-step process, but we continue to have our hand on the wheel fully with respect to what we're pricing.

Heather Lavalley - Voya Financial Inc - Chief Executive Officer

And I would just reiterate, Elyse, what we shared with Tom is, again, still it's early on Stop Loss. We're going to know more going into the third and fourth quarters. This is our best thinking right now on loss ratio and stay tuned, we'll continue to update you on the results.

Operator

Wes Carmichael, Autonomous Research.

Wes Carmichael - Autonomous Research - Analyst

Hey, good morning. A couple of questions on Wealth. On OneAmerica that closed with the \$60 billion of assets. But I just wanted to ask on the mix because I think when you had previously talked about it, there were maybe more assets coming into Full-Service, but it appears maybe some of that shifted toward Recordkeeping, if I'm not mistaken. So just curious if that changed relative to your expectations?

Mike Katz - *Voya Financial Inc - Executive Vice President, Chief Financial Officer*

Yeah, it's really just how the reporting is coming in, Wes, during the TSA period. So no real change to how we look at this from earnings and revenue perspective on that Full-Service and Recordkeeping split. It's just the way it's coming over to us. We expect that will get adjusted as we get to the point where that's no longer a TSA and it's fully in our arms.

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

Yeah. And the broader step back, Wes, is just on OneAmerica we continue to feel good about the estimates that we gave on the revenue, the earnings, the retention coming in right in line, again, that was based on the first quarter results, what we saw. But I'd love for Jay to make just a few comments on what he's seeing because he's been out in front of market clients recently.

Jay Kaduson - *Voya Financial Inc - Chief Executive Officer - Workplace Solutions*

Yeah. Thanks, Heather. Wes, I appreciate the question. Listen, we just recently had a chance to talk to our Client Advisory Board with over 100 of our clients a couple of weeks ago. Many of them came to us through the OneAmerica acquisition.

And what we heard from the clients is the incredible talent that we've got on our team right now. We see it. They're consistently talking about the value of our team and the value that they're bringing to the participants.

But the positive sentiment around the broad set of capabilities that Voya is able to bring to them, that came out loud and clear. It was a really good mix of existing Voya clients as well as new clients that we've brought on from OneAmerica.

Positive sentiment and it's a team at OneAmerica that we really like. We've welcomed that team, and they've been acclimated and are a big part of what we're bringing to the marketplace. Thanks for the question.

Wes Carmichael - *Autonomous Research - Analyst*

No, thank you. Helpful color. And second, on spread income, Mike, I think you talked about a little bit of transition to fixed. But I think the yield came in a little bit better than I was expecting. And perhaps I thought OneAmerica General Account assets might have a lower blended yield. So just wondering if there was any repositioning related to the OneAmerica block? Or what's the outlook on the portfolio there?

Mike Katz - *Voya Financial Inc - Executive Vice President, Chief Financial Officer*

No, it's really just how the insurance transactions work where given that rates were up versus when a lot of that business was brought on for OneAmerica, market values were below book. And so when that comes over to Voya, we bring it over at market.

And so when you're looking at yields, like the yields are just elevated, but it's not changing the overall income. It's not changing how we're thinking about that \$75 million. As it relates to the opportunity to do more around that General Account, we continue to see that, but it will take some time to work through that.

Operator

Kenneth Lee, RBC Capital Markets.

Kenneth Lee - RBC Capital Markets - Analyst

Hey, good morning and thanks for taking my question. I apologize if it's been asked, but I've been hopping between calls. Just one on Investment Management. The net inflows within the institutional channel granted it's probably a little lumpy, but were there any outsized investment mandates that were funded in the quarter there? Thanks.

Matthew Toms - Voya Financial Inc - Chief Executive Officer - Voya Investment Management

Yeah, thanks Ken. This is Matt. As you referenced, really strong net cash flows for the quarter. The \$7.7 billion number is a great start to the year and well above our long term goal of higher than 2% organic growth rate. So as you mentioned, the drivers importantly were quite broad across channels and products.

So I'd say it's not lumpy, and I'd call out a few different areas. First, in private assets, private fixed income continues to be an area where we're a leader in the market as well as in private equity secondaries where you've seen market demand, and we also have a strong value prop there. Mike referenced that in his opening comments as well.

I mean broader fixed income, core and core plus an area of strength where there's market demand. And more broadly, there's been more vigor in the CLO market, which we actively participate in. And then lastly, Income & Growth, is a very differentiated strategy that resonates globally.

So the combination of those three more than offset what we continue to see in active equities, which is a modest headwind, but it's really broad across both channels and in product type, and we think that makes us confident as we look forward. We continue to resonate with clients across products and channels.

Kenneth Lee - RBC Capital Markets - Analyst

Great, very helpful. That's all I had. Thanks again.

Operator

Suneet Kamath, Jefferies.

Suneet Kamath - Jefferies - Analyst

Hi thanks. I wanted to go back to Voluntary. You talked about the loss ratio creeping up as you make your customers more aware of the benefits that they're purchasing. My question is that something that is solely driven by Voya? Or is there some impetus from the regulators to try to get loss ratios closer to where you guys have filed for?

Mike Katz - Voya Financial Inc - Executive Vice President, Chief Financial Officer

Hey, Suneet, it's Mike. Now look, we are taking very deliberate business actions to increase utilization and customer value. We talked about that last year. Nothing has changed there. We do that through a variety of ways on how we make sure that our clients understand that they have these products and know how to notify us. And also work that we're doing with other carriers to have that happen in a more automated way.

And so the only thing I would make sure that's clear here is despite those actions, there's not any elevated utilization versus expectations happening in the quarter. It's more, again, I want to come back to that strengthening of reserves to the extent that those take hold, and that brings client value, then that will happen later this year. We'll know in the fourth quarter, and then we'll continue to make sure you all are aware.

Suneet Kamath - *Jefferies - Analyst*

Okay. And then just sticking with the Voluntary, just on that last point about strengthening reserves. First, what is it about the macro that is causing you to do that? I mean I just think about the lines that you're in, I'm trying to connect weak macro with elevated utilization and there's just something I'm missing there.

And relatedly, is that IBNR that you booked in the first quarter, is that sort of a one and done? Or are you expecting that you would continue to do that in 2Q and 3Q? You had a comment I didn't quite understand in your answer to an earlier question. Thanks.

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

Yeah, Suneet, it's Heather. Let me start, and then I'll let Mike add on. So when we talk about macro or sort of economic impact, it's not relating to equity markets. Really what we're referring to is that when you see economic uncertainty and if there's an impact on unemployment, there are times where you see higher benefit utilization.

So that's really what we're looking ahead to and just making sure we've got a very cautious view on that would be higher utilization from behavior of end customers, not relating to equity or spread.

Mike Katz - *Voya Financial Inc - Executive Vice President, Chief Financial Officer*

Yeah. And just to the second part of your question, Suneet, like think about us holding the additional IBNR in the first quarter, the second quarter, the third quarter. And so we'll get to the fourth quarter, we'll see how utilization ultimately plays out.

To Heather's point, there could be economic uncertainty that affects that, and so we think it's absolutely the prudent thing to do. But that will reveal itself in the second and third quarter, not just the first.

Operator

(Operator Instructions) Alex Scott, Barclays.

Alex Scott - *Barclays - Analyst*

Hey, good morning. First one I have is on Leave Management. Could you talk about how much is in the run rate right now for the spend that you are planning on there and how that will ramp up the rest of the year? And maybe also just the amount of revenue you ultimately think can come in from those initiatives?

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

Yeah, thanks, Alex. We'll let Mike talk about the expenses, and then Jay can give just kind of maybe a broader view of how we think about Leave strategically within our Health business.

Mike Katz - *Voya Financial Inc - Executive Vice President, Chief Financial Officer*

Yeah, so nothing has changed here, Alex, on the \$50 million expected spend on Leave. The one thing I would point out is that part of that is going to come through the admin expense line, part of it is coming through premium tax and other just because we do have an existing service arrangement with our current partner around this.

Ultimately, next year, this will all come through admin, but at least for now, you'll see it through both lines. Next year, we would expect similar levels of spend except that it will come down on some of the vendor and tech spend other than what's getting amortized through the P&L.

But then we'll also be gearing up as we continue to sell more business. More to come before we start talking about how things are going to evolve in 2026. That's something we can update you next year on. But Jay, do you want to talk a little bit about Leave?

Jay Kaduson - *Voya Financial Inc - Chief Executive Officer - Workplace Solutions*

Thanks, Mike. Alex, appreciate the question. Maybe just as a reminder, we are in the Leave and Absence business today. Really, what we're excited about is this opportunity to enhance the customer experience by in-sourcing our Disability and Absence business, really with state-of-the-art set of capabilities.

I'll talk to you a little bit about the why. Bundling is becoming increasingly more important to our customers, and we think our Leave capabilities will enhance our ability to bundle solutions more efficiently. 100% of our Leave cases today, Alex, have Life and Disability and 72% of our Leave cases also have Supplemental.

So we know it's an important investment. Early feedback we're receiving from clients is favorable. The implementation side, our Leave capability is on track for implementing new customers, 01.01.26, and it's early, but we have our first Leave sales.

Really in the RFP activity we're seeing in Leave and Disability is up 11% when compared to this time last year. Overall, commercial momentum in the pipeline is favorable. We'll stay on track, and we'll continue to update you throughout the year.

Alex Scott - *Barclays - Analyst*

Thanks for that. My follow-up question is on net flows in the Wealth Solutions business. Can you help us think through OneAmerica and just if there's any shock lapse, we need to consider as this stuff comes off of the TSAs as well as maybe just some views on flows for the core legacy part of the business?

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

Yeah, let me start, Alex, and I'll pass it to Jay. So for OneAmerica, if you recall, we talked about a 90% retention rate on the book of business through first quarter. What we're seeing on retention for OneAmerica is very much in line with that.

As we've said on the call, we are encouraged by the results that we demonstrated in Wealth, but would expect things to moderate a bit throughout the year, given some of the lumpier nature of large Recordkeeping clients. But Jay, love for you to build.

Jay Kaduson - *Voya Financial Inc - Chief Executive Officer - Workplace Solutions*

Yeah, I appreciate the question. As we expected, the Q1'25 was a strong quarter for flows in DC as we referenced about \$30 billion of positive flows. This is really consistent, if you think about some of the large sales implementations that we were expecting this quarter. Ex-OneAmerica, there were over \$34 billion in sales versus \$1.3 billion this time last year, really driven by two large well-priced plans.

If you think about commercial activity, it's weighted towards the first half of 2025. We're not expecting to repeat the same degree in the second half with respect to some of these large Recordkeeping plans, but they're episodic in nature, and we'll take advantage of them, and price them well when we see the opportunity.

We did see positive momentum in Full-Service in Q1. We saw organic net flows of \$382 million before OneAmerica. Full-Service pipeline increased 7% versus same time last year, heavily driven by our Emerging Market segment.

With higher equity markets, it helped Q1 performance, but the business also benefited from market sentiment, as you referenced around OneAmerica. We also had strong retention in the high 90s and a growing pipeline. We've reached over 9 million participant accounts in the first quarter. To date, we have stayed very close to the market.

We haven't seen meaningful shifts in the participant behaviors in this volatile market, but we're going to continue to monitor this as the market unfolds. Overall, it's been a good quarter for the Wealth business. I appreciate the question.

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

And let me just take a broader step back, Alex. As we think about commercial momentum across Wealth and Asset Management, we're certainly encouraged by the results in the quarter. But just given the murkiness of the outlook and what's going on in the market, we're going to take a cautious view as we think about the rest of the year, and we'll just continue to update you on our progress as we see the year unfold.

Operator

John Barnidge, Piper Sandler.

John Barnidge - *Piper Sandler - Analyst*

Good morning. Thank you for the opportunity. Given the dynamic macro environment, I wanted to ask about the \$6 million in severance in the quarter. Where was that located business-wise? And how do you think about the need for further severance?

Mike Katz - *Voya Financial Inc - Executive Vice President, Chief Financial Officer*

Hey John, thanks for your question, a detailed one, but a good one nonetheless. Yeah, look, we continue to manage expenses, John, and you could see that reveal itself in some of the severance in the quarter. Nothing uncommon or unnatural to call out there. It didn't necessarily specifically affect one business versus another.

But this is something, Heather, Jay, Matt, myself, the entire team continue to focus on. But I wouldn't expect big severance numbers necessarily popping out in the second, third or fourth quarter. Stay tuned.

John Barnidge - *Piper Sandler - Analyst*

Thank you. My follow-up question on Investment Management and strong flow performance in the quarter. Was there any capturing of AUM for Sconset Re that showed up in the flow results in the quarter?

Matthew Toms - *Voya Financial Inc - Chief Executive Officer - Voya Investment Management*

Yeah, thanks, John. This is Matt. Sconset is a part of it. Very excited about the forward path there. Where we're providing assets in the Sconset is more on the private asset side. So it takes time to originate that. So Sconset is a component.

It's not one that was outsized in the quarter, and we expect that will build over a couple of years. And we've talked about that being on the magnitude of \$1 billion to \$2 billion over time. So it's a component. We continue to have strength in the Insurance business.

Again, the Insurance business more broadly was a component of the quarter, but the real takeaway is that the flows were driven by a breadth of different client types, different client channels across a lot of different products. Sconset and Insurance are a part of it, but the breadth is really the callout there.

Operator

That is the end of our question-and-answer session. This will conclude today's conference. You may disconnect your lines at this time, and thank you for your participation.

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