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PRESENTATION

Operator

Good morning, and welcome to the Voya Financial Third Quarter 2017 Earnings Conference Call. (Operator Instructions) Please note, this event is being recorded.

I would now like to turn the conference over to Darin Arita, Senior Vice President of Investor Relations. Please go ahead.

Darin Arita ***Voya Financial, Inc. - SVP, Head of Investor Relations and FP&A***

Thank you, Paula, and good morning, everyone. The slide presentation for this call is available on our website at investors.voya.com or via the webcast.

Turning to Slide 2. On today's call, we will be making forward-looking statements. Except with respect to historical information, statements made in this conference call constitute forward-looking statements within the meaning of Federal Securities Laws, including statements relating to trends in the company's operations and financial results and the business and the products of the company and its subsidiaries. Voya Financial's actual results may differ materially from the results anticipated in the forward-looking statements as a result of risks and uncertainties, including those from time to time in Voya Financial's filings with the U.S. Securities and Exchange Commission.

Slide 2 also notes that the call today includes non-GAAP financial measures, in particular, all references on this call to ROE, Return on Equity; ROC, Return on Capital; or other measures containing those terms or to Ongoing Business Adjusted Operating Return on Equity or Return on Capital, as applicable, which are each non-GAAP financial measures. An explanation of how we calculate these and other non-GAAP financial measures and reconciliations to the most directly comparable GAAP measures can be found in the press release and quarterly investor supplements available on our website at investors.voya.com.

Joining me this morning on the call are Rod Martin, Voya Financial's Chairman and Chief Executive Officer; Alain Karaoglan, Voya Financial's Chief Operating Officer; and Mike Smith, Voya Financial's Chief Financial Officer. After their prepared remarks, we will take your questions. Also here with us today to participate in the Q&A session are other senior members of management: Charlie Nelson, Chief Executive Officer of Retirement; Christine Hurtsellers, Chief Executive Officer of Investment Management; and Carolyn Johnson, Chief Executive Officer of Annuities and Individual Life.

With that, let's go to Slide 3, and I will turn the call over to Rod.

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

Good morning. Before we begin, I'd like to take a moment to acknowledge the tragedy that occurred in New York City yesterday. On behalf of everyone here in the room and everyone at Voya across the nation, our thoughts and prayers are with the victims, their loved ones and all those affected.

Let's begin on Slide 4, with our key themes for the third quarter. We continue to improve our Return on Equity, which exceeded our 2018 target range and reached 15.5% for the trailing 12 months ended September 30. Our improved ROE reflects our commitment to execution. Specifically, we've made strong progress in growing our business, improving our capital efficiency and increasing margins. We remain committed to completion of the execution of our initiatives through 2018 to ensure that these levels of returns are sustainable.

We're also working on our plans beyond 2018 to identify more ways to serve our customers and to deliver value to our shareholders, and we look forward to sharing more details with you at an Investor Day next year.

Turning to our results for the quarter. We generated strong sales growth and higher net flows in Retirement, Investment Management and Annuities' Investment Only products. In Employee Benefits, we grew in-force premiums.

In addition to benefiting from the investments we've made in growth, our results reflect the cost savings that we continue to realize. Our capital position is strong. We concluded the quarter with $944 million of excess capital, and the annual assumption review had only a modest impact on capital.

And while we did not repurchase shares during the quarter, we intend to do so in the fourth quarter. As demonstrated by the additional $800 million share repurchase authorization we received from the board, we remain committed to utilizing our excess capital to buy back shares. Including the shares that we currently plan to repurchase in the fourth quarter, we expect to repurchase $1 billion of stock by the end of 2018. The new authorization reflects the board's confidence in our ability to generate capital, the value of our stock and the continued commitment to our excess capital management philosophy.

With respect to our Closed Block Variable Annuity segment, we took further actions to reduce risk and accelerate the runoff of the block. We launched a second GMIB enhanced surrender offer, which will conclude in mid-December. And we're pleased with the take-up rate on the offer so far, which has helped contribute to $1.3 billion of net outflows in the CBVA segment during the quarter. We'll share the final results of the take-up rate on the offer when we announce our year-end results in February.

Moving to Slide 5. We reported operating earnings per diluted share of $0.51 for the third quarter, and this includes $0.65 per share of negative DAC/VOBA and other intangibles unlocking. Earnings this quarter also reflect $0.03 per share of prepayment fees and alternative income above our long-term expectations.

Overall, we're pleased with our performance and encouraged about our ROE growth, and these results are being powered by our people. I'm delighted to share that last month, Voya was recertified as a Great Place to Work by the Great Place to Work Institute.

And in September, we once again held our annual Employee Giving Campaign. We had our highest employee participation rate this year at 68%, up from 60% last year, with over 4,000 employees donating or volunteering their time. And as a reference point, the average workplace campaign participation rate at U.S. companies is 32%.

Together with the matching contributions from Voya Foundation, roughly $5 million was raised for a variety of worthy causes. And this noble effort demonstrates Voya's strong culture, which helps us to attract and retain top talent.

It also reflects the dedication of our people to create a great work environment that enables us to help Americans plan, invest and protect their savings to get ready to retire better.

I'll now turn it over to Alain, who'll provide more details on our progress this quarter.

Alain Karaoglan ***Voya Financial, Inc. - COO***

Good morning. Let's begin on Slide 7. For the trailing 12 months ended September 30, our Return on Equity and Return on Capital improved to 15.5% and 12.5%, respectively.

The Return on Equity for the trailing 12 months includes 93 basis points of prepayments and alternative investment income above our long-term expectations. We are pleased with the strong business performance we delivered during the third quarter. We continue to execute our plan, including our strategic investment program and our efforts to realize cost savings.

On Slide 8, you can see that business growth remained strong in the third quarter. In Retirement, we continued to drive new business growth through our expanded distribution reach, higher productivity and greater ease of doing business as a result of our investment in digital solutions.

In Investment Management, sales grew across all channels during the third quarter. Strong demand in insurance asset management supported institutional sales. Interest across a diverse range of strategies drove retail intermediary sales growth. The successful partnership between Investment Management and Retirement was a key driver of third quarter affiliate sourced sales growth. In Annuities, sales of fixed indexed products slowed in the third quarter, as we were affected by our distributors adjusting to the Department of Labor fiduciary rule and by lower interest rates.

We expect sales to remain challenged in the fourth quarter. Sales of Investment Only products were stronger than expected, growing 11% year-to-date. In Employee Benefits, in-force premiums grew 10% year-over-year, driven by growth across several product lines.

Turning to Slide 9. Retirement's Return on Capital for the trailing 12 months ended September 30 was 9.9%, up from 8.8% in 2016. Higher fee-based revenues from cumulative quarters of positive net flows and equity market appreciation and disciplined expense management have all helped improve Return on Capital.

We continued to make progress on our Guaranteed Minimum Interest Rate, or GMIR, initiative and are pleased with the results so far. This initiative demonstrates our commitment to helping plan participants save for retirement while making adjustments that reflect the challenge presented by low interest rates.

As we noted in the second quarter, we are expected to complete most of this initiative by year-end 2017.

We saw strong business momentum in the third quarter. In the 401(k) market, new plan counts increased 33% year-to-date, supporting further growth in assets under management. Adviser productivity, particularly in the Tax-Exempt market, increased, as demonstrated by an 18% increase in average sales per adviser.

In addition, we remain focused on improving the client experience while reducing costs. This focus has resulted in a 5% increase in the number of participants and a 7% reduction in overall unit costs year-to-date in our defined contribution business.

Moving to Slide 10. In Investment Management, the operating margin was 34.3%, up from 26.9% in 2016. We expanded our operating margin by growing fee revenues and maintaining discretionary expense discipline. Excluding investment capital, our operating margin was 28.8%, up from 28.2%.

Our revenue growth also reflects our sustained strong long-term investment performance. This has been a key driver of demand across a broad range of strategies, including Intermediate Bond, Small-cap Equity, Stable Value, and Target Date funds.

Moving to Slide 11, the Return on Capital for Annuities for the 12-month period ended September 30 was 11.2%, up from 9.8% in 2016. The benefits of capital efficiency actions, which include introducing new products and the continued run-off of less profitable products such as our Multi-Year Guarantee Annuities, have significantly improved our returns.

We are working with our distributors as they adapt to the Department of Labor fiduciary rule. For example, during the quarter, we launched a fee-based version of one of our Investment Only products. This responds to our distributors' feedback for an adviser-friendly product that shifts compensation away from commissions. We remain focused on evolving our product portfolio and expanding our digital capabilities to support our distribution partners.

Turning to Slide 12. Individual Life Return on Capital for the 12 months ended September 30 was 9.5%, up from 6.6% in 2016. We benefited from expense discipline, cost savings from bringing our Individual Life business together with our Annuities business and favorable year-to-date mortality.

During the quarter, we refinanced additional redundant reserves to lower our financing costs. This will help to partially offset the effect of higher reinsurance costs.

Moving to Slide 13. The return on capital for Employee Benefits for the 12 months ended September 30 was 24.3%, up from 23.3% in 2016. Our Group Life and Voluntary underwriting experience has remained favorable to targets. In addition, we have grown Voluntary premiums, as these products are meeting a growing need in the benefits market. We continue to monitor our Stop Loss business closely. As we go through the renewals season, we are remaining disciplined and taking pricing action as needed. We expect our efforts will help us improve the loss ratio in 2018.

In summary, we are pleased with the progress of each of our businesses in the third quarter. We feel positive about the continued momentum. At the same time, we remain focused on the continued execution of our plans to drive greater value for our customers, for our distributors and for our shareholders.

Now I will turn it over to Mike to discuss our financial results.

Michael Smith ***Voya Financial, Inc. - CFO***

Our third quarter results demonstrated strong momentum in operating earnings. Rising fee income, favorable net underwriting and realized cost savings all supported significant operating earnings growth, net of DAC unlocking.

Our third quarter recorded operating EPS was $0.51, which includes 2 notable items. First, our annual assumptions update resulted in $0.65 of unfavorable DAC/VOBA and other intangibles unlocking. Included in this figure is $0.34 of accelerated amortization related to the GMIR initiative that we discussed last quarter.

Second, combined prepayment and alternative income was above long-term expectations by $0.03. Looking ahead to fourth quarter 2017, we expect our earnings per share to be helped by additional cost savings in our Ongoing Business and seasonally higher performance fees in Investment Management. The impact of those beneficial items could be offset should certain items revert to more normalized levels. For example, we do not expect reserve releases to recur and may see fewer favorable items for the fourth quarter. A breakout of these items by business segment is shown on the next slide. If net underwriting results in Individual Life return to expected levels, that would have a $0.01 impact. We have factored fourth quarter seasonality into this figure.

Finally, we expect a sequential decline in the underlying investment spread for our Retirement segment, primarily reflecting the continued effect of low interest rates. While we have provided some items to consider, there will, of course, be other factors that affect fourth quarter results.

On Slide 16, we provide a business segment level breakout of the operating items that we discussed on the previous slide to further help with modeling our financial results.

Individual Life results benefited from favorable mortality driven by lower frequency. In our Employee Benefits segment, we released reserves on both our Voluntary and Stop Loss blocks. We have also provided updated expected spend for our strategic investment program and fiduciary rule implementation costs. In our Retirement segment, we continue to make progress on our GMIR initiative. We estimate the cumulative impact of our GMIR initiative through the third quarter will reduce DAC amortization by $20 million to $25 million annually, though it will take several quarters to realize the full run-rate effect.

With respect to future accelerated DAC amortization related to this initiative, which is reflected in unlocking, we expect a much lower level in the fourth quarter relative to our experience in the second and third quarters.

Turning to cost savings. Our annualized run-rate cost savings as of the end of the third quarter was approximately $110 million. That is up from $80 million as of the end of the second quarter, on a comparable basis.

As mentioned on the previous slide, we forecast the incremental net run-rate cost savings for the fourth quarter to be in a range of $2 million to $4 million. That would increase the annualized run-rate to approximately $120 million.

We expect to generate additional cost savings on a gross basis in 2018. These savings will largely offset expected Strategic Investment Program expenses. As a reminder, these expenses will be allocated to our Ongoing Business from our Corporate segment in 2018.

Turning to Slide 17. We conducted our annual review of assumptions and projection model inputs during the third quarter. Overall, the review had a modest capital impact. The Ongoing Business operating results had unfavorable unlocking of $184 million, which primarily reflects updates to the assumptions noted on the slide. Of that amount, the effect of the GMIR initiative on unlocking was an unfavorable $92 million.

For the Closed Block, we made favorable updates to both utilization rates for Guaranteed Minimum Withdrawal Benefit contracts and to annuitization rates on Guaranteed Minimum Income Benefit contracts. These changes more than offset an unfavorable update to lapse rates.

As you may recall, last year, we lowered our interest rate assumption for CBVA regulatory and rating agency requirements. Building on that change, beginning with this quarter, we have adopted an approach for modeling future interest rate scenarios that we believe to be consistent with the approach the NAIC is taking in crafting its new VA reserving framework.

As a reminder, our long-term assumption for the 10-year Treasury rate remains at 4.25% for GAAP reporting in our Ongoing Business and Closed Block.

Turning to Slide 18. The third quarter marked our eighth consecutive quarter of positive Retirement net flows. Strong deposit growth in corporate markets combined with the onboarding of a new $515 million plan in Tax-exempt markets were the main contributors to our over $1 billion net flow quarter.

Turning to Slide 19. Investment Management Sourced net inflows were nearly $1.2 billion during the third quarter. These results were driven by continued client demand across a broad range of fixed income and equity mandates. Our Affiliated Sourced flows were driven by Stable Value sales.

As shown on Slide 20, our Annuities segment generated another quarter of positive Investment Only flows supported by favorable equity markets. Fixed Indexed Annuity flows were primarily affected by a combination of low interest rates and several key distributors altering their sales process to comply with the Department of Labor fiduciary rule.

Moving to Slide 21. The loss ratio for Group Life remains favorable. The loss ratio for Stop Loss improved this quarter due to a smaller number of large claims and a reserve release.

On Slide 22, as shown by the bar graph, our hedge program continued to offset the changes in rating agency requirements during the third quarter. As a reminder, our hedges are designed to protect both regulatory and rating agency capital.

Since our IPO, the rating agency requirement has generally been higher than the regulatory requirement. We ended the third quarter with estimated available resources of $3.6 billion.

During the third quarter, net outflows in the Closed Block were approximately $1.3 billion, which includes $532 million from our second enhanced surrender offer. The offer is open through mid-December, and we will provide final policyholder take-up rates on our fourth quarter 2017 earnings call.

On Slide 23, you can see that our regulatory and financial leverage ratios are strong and remain better than our targets. The RBC ratio was 483% at the end of September.

On Slide 24, our capital position remains strong. Our excess capital, which consists of estimated statutory surplus and holding company liquidity above target was $944 million at the end of the third quarter. We have over $1 billion available for share repurchases, including $800 million on the new authorization approved by our board. The new authorization reflects the board's confidence in our ability to generate capital and continued commitment to our excess capital management philosophy.

We currently plan to begin utilizing the authorization in the fourth quarter of 2017 and expect to repurchase $1 billion of stock by the end of 2018.

In summary, the continued realization of our growth initiatives and focus on efficiency are driving higher ROE and operating earnings growth. We continue to generate excess capital and protect regulatory rating agency capital while running off the Closed Block.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Nigel Dally of Morgan Stanley.

Nigel Dally ***Morgan Stanley - MD***

I had a question on the capital allocated to ongoing operations. It continues to decline, down about 8% from the prior year. So I was hoping to get some color as to when that's likely to stabilize. And when we're thinking about your ROE goal for 2018, what capital base should we be applying to that? Is it still the $8 billion that you were previously talking about? Or has that number changed?

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

Nigel, it's Rod. Mike will take that.

Michael Smith ***Voya Financial, Inc. - CFO***

Nigel, thanks for the question. I think from this point, we're going to limit our continued updating of the capital and really focus more on, I think the points that we tried to emphasize in the call is the growth in earnings per share that we expect. I think, obviously, we had a pretty strong quarter, and I think there are a number of reasons to, looking forward, expect EPS to continue to move upward. You've got the GMIR initiative and the benefit that it will provide. We've got return to more normal Stop Loss experience that we expect to see in 2018. We've got the benefit of $1 billion of share repurchase authorization for us to move forward on, as well as the underlying growth in the business and expense saves and other positive trends that we're already showing. So I think as it relates to the numerator of ROE, we're expecting to see that continue to move up. I would say we don't foresee anything that would take capital lower. We have no actions planned to take it lower. But as I said, we're not going to continue to update that number going forward.

Nigel Dally ***Morgan Stanley - MD***

Okay, understood, then just to follow up on buybacks. Why no buybacks this quarter?

Michael Smith ***Voya Financial, Inc. - CFO***

So like most companies, I think we're going to avoid commenting on precise timing of our buyback activity. We would certainly want to emphasize the new authorization and the confidence that I think shows both on the management team and the board ('s confidence) in our ability to continue to generate capital. We have a very strong excess capital position at $944 million now. We have a strong track record of exercising the authorizations that our board gives us, with $3.4 billion in share repurchases to date. There's no change in our philosophy going forward, and I think we've given pretty clear guidance as to what our expectations are for the rest of 2017 and 2018. That should give people, I think, a pretty clear indication of where we're trying to go.

Operator

Your next question will come from Suneet Kamath of Citi.

Suneet Kamath ***Citigroup Inc - MD***

I just wanted to start out on the life insurance segment. In your prepared remarks, you had mentioned some additional refinancing actions on the redundant reserves, but then also I guess an ongoing impact from higher reinsurance costs. So can you kind of help us think through what more of a run-rate would be if we think about those 2 items?

Michael Smith ***Voya Financial, Inc. - CFO***

Yes. So thanks, Suneet. This is Mike. So a couple of things. First, just to maybe give a little more color on what's causing the increase in reinsurance costs. This relates to a legacy block of business that was written in the late '90s and early 2000s, primarily, where a number of reinsurers have had fairly negative experience relative to the pricing that was made at that time. And so we're working with reinsurers when they come to us and ask for rate increases to find an appropriate ongoing solution so that the adjustments in reinsurance costs that are reflected in the unlock reflect the latest updates in those ongoing discussions, right? As it relates to the expectations going forward, at this point, it's going to be some small impact. I think we will give more specificity in the next call as to the specific impact of what that will be.

Suneet Kamath ***Citigroup Inc - MD***

Okay. And then just to follow up on Nigel's question about the capital behind the business. I get that you're focusing a little bit more on earnings and the numerator and EPS, and I think that makes sense. But as we think about your conversations to us, maybe even at that Investor Day next year that you highlighted, is there a thought to maybe move away from some of the ways that you guys have been reporting your segment profitability in terms of theoretical capital and Ongoing Business versus consolidated, to make it more apples to apples with how other companies report?

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

Yes. This is Rod. We are discussing that. As you might expect, and are pointing out as we speak we haven't landed fully on what that picture looks like. But I think broadly, you can expect that we will be adopting measures and metrics that would be more consistent with Fortune 250 type companies on a go-forward basis. More to come.

Operator

Your next question comes from Alex Scott of Goldman Sachs.

Alex Scott ***Goldman Sachs Group Inc. - Equity Analyst***

So the first question, on CBVA and the utilization changes that were made this quarter. Can you just discuss how you guys got comfortable with more favorable utilization there? Is there something you're seeing in the buyout offering?

Michael Smith ***Voya Financial, Inc. - CFO***

Alex, this is Mike. Good question. A couple of things. First, to be clear, when we talk about utilization, that refers to the rate and timing at which people take money out of the Guaranteed Minimum Withdrawal Benefits. And so we made a favorable adjustment to that based on experience. We, I think, were able to take a somewhat more sophisticated approach to modeling in this quarter, and that also had a favorable impact. But that entirely is the GMWB's withdrawal benefits, (which) have not been subject to any of the buyout offers or enhanced income offers. So that had no bearing on those assumptions. As it relates to the annuitization assumption on GMIB, there was also a favorable adjustment that reflected primarily improved experience consistent with not only our own block, but also that which we see in the industry. There is a little bit of what I'll call burnout that we assume on those that have gotten the enhanced income offer. We do think that in the short term, they're less likely to take an income solution. So we would have reduced the annuitization assumption a little bit there but that's only in the short term. Long term, it returns to a more normalized level. So that I hope that gives you enough color to understand, the short answer is it's experience based.

Alex Scott ***Goldman Sachs Group Inc. - Equity Analyst***

Okay. That's helpful. And then one quick one on just tax reform impact on the RBC ratio. It could impact, obviously, DTA and the tax affected pieces of the RBC ratio. Can you help me to think about how much of an impact that could have? And whether it would change the way that you guys think about your excess capital position?

Michael Smith ***Voya Financial, Inc. - CFO***

Sure. So a couple of things. Let's break it into 2 pieces. First of all, we don't know what the ultimate tax rate is going to be, and so it's a speculative period. Let's assume that there's no dramatic change in tax income and we just see a reduction in the corporate tax rate. The impact on statutory would be a proportionate reduction in the DTA, except that there is a significant nonadmitted deferred tax asset that would offset much of that. So the net effect on the statutory balance sheet of a reduction in tax rate is pretty manageable in and of itself, depending on the ultimate details. So that's Part 1. That's the numerator of the RBC ratio. In the denominator, there's a number of things that have to happen before that changes, including regulatory action, new guidance from the regulators as to how do I apply it and so on. But if you just do the math on the impact to the RBC ratio of this changing the denominator, it's about a 50 point impact to our RBC ratio, assuming a reduction in the tax rate to 25%, which was, I think, the latest that we had heard was happening. If it's 20%, it would be a bit higher. But again, that would affect everybody. And I think the math is pretty consistent for everybody. So exactly what that would mean for excess capital, I think that's likely to be a re-rating of the industry overall. And I don't think it's likely to change our view on what excess capital is.

Operator

Your next question comes from Humphrey Lee of Dowling & Partners.

Humphrey Lee ***Dowling & Partners - Research Analyst***

Related to the GMIR re-negotiation in Retirement, based on your prepared remarks, you talked about in Q4, you would expect the unlocking would probably be lower than what we've seen in Q2 and Q3. But I thought based on just the pace of the unlocking and based on what you talked about the DAC balance, you probably still have $120 million to $130 million related to those blocks of businesses that have guaranteed interest rates. Does that mean that the size of the block that you're targeting in the fourth quarter would be smaller compared to the past couple of quarters? And you would probably not fully exhaust the entire block of business that have guaranteed interest rates?

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

Charlie will frame this for you. Charlie?

Charlie Nelson ***Voya Financial, Inc. - CEO of Retirement***

Thank you. Our third quarter unlocking represents our best estimate for the business and scope, including plan consents that we have received to date as well as those we expect in the future from this business that's in scope. The remaining $130 million potential DAC unlocking is generally out of scope, as a lot of these plans are not eligible for action at this time. Having said that, we are very, very pleased with the consent rate and how aligned plan sponsors are to maintain the guarantees that we've offered and we have in force with participants, while helping us provide a competitive rate for future contributions and transfers. So it really has been a quite successful program all the way around.

Humphrey Lee ***Dowling & Partners - Research Analyst***

Okay. So what you mean out of scope, is it just simply a timing of those blocks that is eligible for renegotiation?

Charlie Nelson ***Voya Financial, Inc. - CEO of Retirement***

So there're a number of issues, if you will, that put things in an out of scope bucket. Some, we have plan sponsors where we have contracts that it would not allow us to address at this time, so there're contract terms that may be out a number of years before we can address them.

There are some that we have some we're still working with the state insurance departments for regulatory approval, and we just continue to work with those insurance departments. So there're a variety of factors, but as we look at the third quarter unlocking, it does represent what we've got consents today, what we project for the future with the block that is eligible for this at this time.

Humphrey Lee ***Dowling & Partners - Research Analyst***

Got it. And then maybe shifting gears, a question on the interest rate assumption. You talked about still that the long-term assumption is 4.25% for the 10-year. But did you change anything in terms of the glide path to that 4.25%?

Michael Smith ***Voya Financial, Inc. - CFO***

You're correct, Humphrey. Our assumption for GAAP purposes is 4.25% on the 10-year long-term assumption. We made some modest adjustments to the glide paths for several of the businesses, mostly to just more accurately reflect, or more appropriately reflect, the path that we think the portfolio yields would take given that long-term assumption. So it was a modeling refinement and not a particularly significant one in the grand scheme of things.

Humphrey Lee ***Dowling & Partners - Research Analyst***

So for that long-term target, is it still kind of like 10 years out? Or how should we think about that relative to the glide path?

Michael Smith ***Voya Financial, Inc. - CFO***

I don't think we've given out the time over which we glide to. I think from a more practical matter, for each portfolio, we look at the duration of that portfolio, and we make a reasonable estimate of how quickly the portfolio turns over. And that drives more the rate of progress than the long-term assumption itself.

Operator

Your next question comes from Tom Gallagher of Evercore ISI.

Tom Gallagher ***Evercore ISI - Senior MD and Fundamental Research Analyst***

So the increased buybacks, or at least the new authorization for 2018, I'm just curious what's driving the strength of that. That's obviously a pretty good amount. Is it increased confidence in CBVA? Better projected cash flows? Can you provide a little color what's going on behind the scenes there?

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

Tom, I'll begin, and Mike can jump in. I think we've been working toward the execution of our plans, both with the growth component and the expense reduction component. And I think it's absolutely a reflection of that work and those seeds that have been planted that are beginning to reflect very positive outcomes as we move forward. So we thought it was a terrific message for our shareholders and certainly Voya to be able to communicate $1 billion of stock buyback over the next 5 quarters. As we finish up this phase of our plan, and as we introduce some time at an investor conference next year, the next phase of the plan. So it really is the cumulative effect of all the things that we've been talking about that we think reflect management and the board's confidence in our ability to continue to execute in the manner that we have been.

Michael Smith ***Voya Financial, Inc. - CFO***

Yes. I think, I'd just add, look, we have $944 million of excess right now. And second, I think this is a continuation of the philosophy we've had. And I don't think we should view it as a change; it's just a reflection of our continuing improvement in circumstances and the growth that we're generating. I wouldn't say it's increased confidence in CBVA because we've always had confidence in CBVA. And so I think that's not a change, either. I think we're bullish on the opportunities. We're comfortable with our ability to generate capital, and we think that's reflective of this.

Tom Gallagher ***Evercore ISI - Senior MD and Fundamental Research Analyst***

And a couple of related questions. So the CBVA, with the reduction in risk there, do you feel like you're making any progress of getting further along the path of eventually freeing up capital from that block? Is that a medium-term possibility?

Michael Smith ***Voya Financial, Inc. - CFO***

We've certainly made progress in reducing the risk of the VA business. I think we're over $3 billion of actions we've taken on the GMIB in terms of account value that we have removed. I think our hedging program has continued to show that if we can offset the impacts of market changes, the policyholder behavior has been benign to favorable. So I think over the next several years, we'll continue to watch the external economic environment evolve. I think that if interest rates improve, that's certainly a good thing on a number of fronts. But at this point, we're not ready and are able to give further guidance on exactly when capital could come out. We will apply the same philosophy to managing the capital of the VA that we've applied to the entire business, and a continued demonstration of being prudent, but aware of the responsibility we have to shareholders and other stakeholders.

Tom Gallagher ***Evercore ISI - Senior MD and Fundamental Research Analyst***

Got it. And then just finally, it looks the capital generated in the quarter was around $70 million or so. If I just look at the change in excess capital, any reason it was a bit on the light side this quarter?

Michael Smith ***Voya Financial, Inc. - CFO***

Tom, no particular reason. I think the RBC went up too, so that offset a little bit of the income. But the general view is statutory is a bit lumpy, just given the nature of the accounting system. So there's no trend or other takeaway I think from that. It's just the consequence of several different things.

Operator

Your next question comes from Sean Dargan of Wells Fargo Securities.

Sean Dargan ***Wells Fargo Securities, LLC - Senior Analyst***

I have a question about tax reform. If a bill comes out tomorrow and there's language about Rothification and some degree of Rothification gets implemented, would that be disruptive to your 2018 Retirement targets at all?

Charlie Nelson ***Voya Financial, Inc. - CEO of Retirement***

Well, certainly, we are in favor of improving savings rates, and we are not in favor of the Roth requirement, as being discussed in the press relative to tax reform. I think we would remind everybody that certainly 401(k) is a tax deferral, not a tax deduction. And the 10-year window in which Congress kind of use the revenues for retirement plans, we don't really view that it accurately reflects the lifetime value of the tax revenue. As we think about our impact for the future in the industry, I think there's some concern about the Roth discussion in the press from a behavioral perspective and the behavioral impact that a limit on pre-tax contributions and anything over that on a Roth, how it may imply to participants that there's kind of a government recommended savings level. We have operated and have been quite successful within Voya and I think as an industry providing participants choice between pre-tax and post-tax. I think as we look to promote increased savings rates, we've been quite successful in Voya in using our broader digital solutions and promoting ways in which participants can increase their contributions, and hopefully achieve a longer-term income replacement ratio successful to their goals. So I think we would encourage Congress to continue to focus on increasing savings rates, coverage and access, and it's not just about Roth, I would caution everybody. Because certainly, you have to look at the interplay between Roth and pre-tax and post-tax. There was a bill in the Senate last year on savers' credit that helped individuals with lower incomes potentially save more and give them a tax credit for that. Then you throw into that additional changes in the marginal tax rates. When you look at that in total, we're quite optimistic relative to our business and our ability to communicate and work with participants and plan sponsors of the overall benefits of tax-deferred savings and retirement savings and the importance of that in the long term.

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

And we remain confident in our ability to accomplish our 2018 targets.

Sean Dargan ***Wells Fargo Securities, LLC - Senior Analyst***

Okay. And then I guess in a somewhat related question, I'm wondering if you could give us any outlook on the pipeline for flows in Investment Management and Retirement going forward?

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

Charlie?

Charlie Nelson ***Voya Financial, Inc. - CEO of Retirement***

Sure. Well, thanks for the question, and as you can see, we've had a very good success. And we continue to build on that. As I look at the question or hear the question on flows, certainly it starts with activity and with RFPs. And across our businesses, but in particular in Small/Mid, we've got probably about 32% more RFPs that we've seen in the trailing 12 months than we did in the previous, and that's kind of consistent across our businesses, similarly in Tax-Exempt and our Large Corporate. That's driven to some strong sales. As Alain commented in the comments, around 33% more sales year-to-date, leading to our deposits as well, and the AUM success that I think has been driven. And I would note that year-to-date versus year-to-date last year, we've had 46% increase in plan sales adopting our active strategies in large, mid-cap and small-cap, which, I think, really complement and go to the strong, reliable performance that Christine and the Investment Management team have delivered as well. Now certainly, retention can be lumpy. You do have large plans that can come and go and can disrupt your flows. But the underlying fundamentals that I'm seeing within our business, what our team is delivering and the activity and the productivity of our wholesalers and advisers is strong. And I think it flows through in terms of the strong results that Christine, I don't know if you want to add to that?

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

Thank you, Charlie. Yes, in Investment Management, our sales that we delivered this quarter were very broad-based in terms of the capabilities. And really, this is an exciting asset that we have, is that we have a lot of solutions that are in demand in the market. And certainly competitors have seen headwinds in terms of indexing, but just given our specialty in fixed income and what we do, we are not seeing that degree of pressure that the market generally has. So we have very good capabilities. We continue to monetize new products, such as notable growth in commercial real estate, which is one of the newer things we're selling to clients, as well as we continue to have very strong investments performance across the board, which is recognized and appreciated by consultants and potential clients.

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

Carolyn?

Carolyn Johnson ***Voya Financial, Inc. - CEO of Annuities and Individual Life***

Sean, it's Carolyn Johnson. I wanted to comment a little bit on the Annuities business and what we're seeing ahead of us, really, in 3 different areas. First, on distribution effectiveness, we have a decades-long investment in data and systems behind our distribution relationship management. And more recently, we've developed data analytics to improve our insights into our advisers' propensity to sell, which drives greater efficiencies in the sales process. And that's really resulted in positive flows and growth in our Investment Only business. And we plan to take that pilot to our external wholesalers in our Annuities business in 2018. Number two is new products. We have a buffer-style annuity product that is finished and ready for launch at the first of the year. This is a very competitive offering against a limited number of competitors in one of the highest growth areas of annuities. We've also launched and will be launching advisory-style products in our Annuities segment. And then three, automation and technology, we've integrated a wide variety of automation and streamlining technology solutions that both improve the economics and create an effortless experience for our customers and advisers, and that includes the use of bots, e-contracting, new call center technology and streamlined communication processes and systems.

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

And Sean, we'll have Alain round it out on our Employee Benefit business.

Alain Karaoglan ***Voya Financial, Inc. - COO***

On our Employee Benefits business, that has been a business that has grown very nicely at very high and attractive Return on Capital. And what we need to do and continue to do is maintain our underwriting and our pricing discipline to improve our loss ratio in the Stop Loss business and achieve our targets for all the other products. The second thing we need to do is continue to grow our Voluntary business, which you've seen sales going at a 30% rate at attractive loss ratios. And the third thing is to continue to enhance our customer experience, such as claims, our onboarding and to continue to help our customers with an improved customer experience. So we can continue the growth rate, and you've seen it at 10% this quarter, it was a premium growth rate to have attractive Return on Capital.

Operator

Your next question comes from John Barnidge of Sandler O'Neill.

John Barnidge *Sandler O'Neill + Partners, L.P. - Director of Equity Research*

Could you talk about expectations for impact implementation of MiFID II on your Investment Management business and whether that could actually lead to maybe some cost savings as we look out to 2018?

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

Yes, Christine will take that.

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

Yes. Thank you. In terms of MiFID II, certainly, our equity trading team specifically is very engaged and ready to comply to the regulations that are going to be unveiled in January. I think broader-based, the SEC has given 30-months window as far as more insight into implementation with the U.S. So that being said, what do we think about MiFID II and the potential for either cost saves and also potentially cost increases? What I want to say, first and foremost, is I actually think that MiFID is going to be a really good thing for Voya Investment Management. When you think about us and our style of investing, it's very deep rooted in fundamental research. So when you look at small and mid-cap specifically, those are very strong strategies that are going to be most impacted by a reduction in research in the market. And so that's going to be playing to our strengths and a competitive advantage. In credit, we have over 70 credit analysts researching. So again, I think it's really going to play to our fundamental strengths as the world becomes a little bit more scarce, if you will, in terms of research publications. So the alpha will be very good. In terms of impact on actual expenses, I'm not modeling any sort of cost increases or saves because it's a dynamic, fluid situation. Certainly, we take a very sharp eye as far as where we pay for research. Certainly, some macro research we do pay for. But again, most of ours is proprietary. So net-net, I'm not seeing a financial impact either in savings or increases at this point with the implementation.

Operator

We have time for one more question. Your final question comes from Ryan Krueger of KBW.

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

I guess first question on the cost saves. Can you just confirm my math is correct that you still should have about $70 million of Strategic Investment Spend in 2018? And you expect to basically offset all of that through additional cost saves within the business units?

Michael Smith *Voya Financial, Inc. - CFO*

Ryan, that's exactly correct. The $70 million is pretty much right on target. And as you said, we do expect the cost saves to offset that increase as we move the expenses into the businesses.

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

And then just a quick follow-up on CBVAs. Are you at the point where you kind of believe you've already adopted the likely interest rate impacts of the NAIC reform in your CTE calculation as of now?

Michael Smith *Voya Financial, Inc. - CFO*

Yes, that is our belief at this point based on our -- we've been very actively engaged in the conversations all along. And we took this opportunity now that the discussions seem to be settling in as it relates to the interest rate scenario generator, it was a good time to go ahead and make that change. So that's what's reflected. The good thing about that, from our perspective, is that it actually will, I think, better align the movement of CTE 95 with respect to interest rates and our hedging. And also perhaps give us even more opportunity as rates go up to increase our interest rate hedging, further taking risk off the table. So it's a win all the way around. If there was a modest negative impact to CTE 95 that is more than manageable in the current period. But I think it'll absolutely help us better manage the block going forward.

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

And then I guess, you continue to refer to the CTE 95 target. Do you have any updated thoughts on where that may shake out given the initial discussions around CTE 98?

Michael Smith ***Voya Financial, Inc. - CFO***

Yes, I think it's -- that's still a little bit up in the air depending on where they come down on some of the other choices that need to be made regarding assumptions, particularly any other scenario generator assumptions. So a little too early to say. We continue to be engaged, and I think we'll have a better sense of where that's going to come out toward the end of this year and then on into next year, depending on how the debate and the discussion goes with the various interested parties.

Operator

This concludes our question-and-answer session. I would now like to turn the call back over to Rod Martin for any closing remarks.

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

Thank you. We have continued to improve our Return on Equity, and we're focused on continuing to execute our initiatives while investing in growth opportunities. And this will enable us to deliver greater value for our customers and our shareholders. We look forward to updating you on our progress. Thank you, and good day.

Operator

Thank you. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.