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PRESENTATION

Operator

Good morning, and welcome to the Voya Financial First Quarter 2018 Earnings Conference Call. (Operator Instructions) Please note, this call is being recorded.

I would now like to turn the conference over to Michael Katz, Senior Vice President of Investor Relations.

Michael Katz ***Voya Financial, Inc. - Senior VP & Head of IR and Enterprise FP&A***

Thank you, Jennifer, and good morning. Welcome to Voya Financial's First Quarter Conference Call. Materials for today's call is available on our website at investors.voya.com or via the webcast.

Turning to Slide 2. Some of the comments made during this conference call may contain forward-looking statements within the meaning of federal securities laws. The company does not revise or update them to reflect new information, subsequent events or changes in strategy. Risks and uncertainties that could cause actual results to differ materially from those expressed or implied are discussed in the company's most recent Form 10-Q filed by the company with the U.S. Securities and Exchange Commission.

Additionally, some of the comments made during this conference call may refer to non-GAAP financial measures. Reconciliation of these measures to the most directly comparable U.S. GAAP financial measure can be found in our press release and financial supplement found on our website, investors.voya.com.

Joining me on the call are Rod Martin, Voya Financial's Chairman and Chief Executive Officer; as well as Mike Smith, Voya's Chief Financial Officer.

After their prepared remarks, we will take your questions. For that Q&A session, we have also invited the heads of our businesses. Specifically, Charlie Nelson, Retirement; Christine Hurtsellers, Investment Management; Rob Grubka, Employee Benefits; and Carolyn Johnson; Individual Life.

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

Rod Martin ***Voya Financial, Inc. - Chairman & Chief Executive Officer***

Good morning. Let's begin on Slide 4 with our key themes for the quarter. These themes reflect our execution on the 2018 priorities that we shared with you in February. Specifically, we generated attractive growth, made progress on the sales of our Annuities business and maintained a strong capital position.

We grew adjusted operating earnings 12% year-over-year at our targeted returns. This included record first quarter Adjusted Operating Earnings, excluding DAC and VOBA unlocking for Retirement and Investment Management as well as a strong quarter for Employee Benefits.

As I said before, we are committed to increasing our earnings per share, while maintaining a top quartile ROE. During the quarter, we made progress toward significantly reducing risk as we focused on closing the Annuities transaction. This will transform Voya into a simpler, more focused company that is positioned for accelerated growth and better equipped to meet our customer needs. We're making good progress with the regulatory reviews, and we're on target to close the sale in the second or third quarter of this year. We also continued to advance our guaranteed minimum interest rate, or GMIR, initiative. As a reminder, this initiative demonstrates our commitment to helping customers save for retirement, while making adjustments that reflect the challenges presented by low interest rates. Our discussions with our clients as we make these changes have been positive, and Mike will share more details on our expectations going forward.

Finally, our capital position remains strong. At the end of the quarter, we had $548 million of excess capital. In the quarter, we completed the previously announced $500 million accelerated share repurchase agreement, and we're executing on arrangements to repurchase an additional $500 million of our shares by the end of the second quarter.

Turning to Slide 5. We are focused on our priorities for this year, which is going to be a transformative one for our company. First, we're progressing toward the close of the Annuities sale. Our teams, they've been working in partnership with Apollo and Athene to carefully separate these businesses from Voya.

Following the completion of the transaction, our business mix will continue to be diverse and largely focused on high-growth, high-return capital light businesses. This transaction will be a catalyst toward achieving improved efficiency for our businesses to support profitable growth.

We remain committed to achieving $110 million to $130 million in expense savings within 12 months of closing the transaction. We also continue to be good stewards of our capital. As I just described, we're on track to deliver the $1 billion in stock buybacks that we announced in December by the end of the second quarter. We are well positioned as a growth company as you can see in the results announced yesterday and in the path forward for each of our businesses. As we move forward this year, we will continue to share examples of how we're executing on these 4 priorities. And we'll share details about our long-term strategy at an Investor Day later this year.

Turning to Slide 6. Today, we're celebrating Voya's 5-year anniversary as a publicly traded company. It's worth recognizing that we've made significant strides as we've demonstrated through our first quarter results and the character of our brand. Our many achievements and milestones have enabled us to build the brand that is now one of the most recognized names in Retirement.

Our brand awareness now exceeds most of our peers, including brands that have been around for decades. We've created a culture of transparency, accountability and a commitment to do the right thing. We're investing in our business, simplifying our company and better positioning Voya to meet our customer needs.

One of the things that I'm most proud of is the transformation of our culture. Voya aims to be one of the most ethical and most admired companies in the world. In fact, we are 1 of only 2 financial services companies that earned a spot as one of the World's Most Admired Companies, one of the World's Most Ethical Companies and on the Bloomberg Gender-Equality Index at the same time. This recognition demonstrates the strength of our culture and the commitment of our employees to both what we do and how we do it. And we're increasingly hearing from our clients that the culture that has enabled us to earn these accolades distinguishes us from other companies.

We're proud of all we've achieved for our customers, our shareholders and our employees over the last 5 years. Voya's transformation to a more focused, more customer-centric and more profitable company will continue. As proud as we are of what we've achieved, we're really excited about what comes next.

With that, I'll ask Mike to provide more details on our performance this quarter.

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

Thank you, Rod. On Slide 8, our results were strong this quarter as we reported our highest ever first quarter Adjusted Operating Earnings, excluding unlocking.

Our reported first quarter Adjusted Operating Earnings per Share was $0.77. This included $0.31 of negative DAC/VOBA and other intangibles unlocking, primarily in our Retirement and Individual Life segments. I will provide more details when we turn to those business slides.

Favorable investment performance from our alternatives portfolio supported investment results. We generated $0.05 of combined prepayment and alternative income above our long-term expectations. Our first quarter operating results compare favorably to those of first quarter 2017 when we reported $0.51. Excluding DAC unlocking, we reported $0.49 in the first quarter 2017.

Within our adjusted operating results, we realized favorable performance from our retained annuities, which lifted Corporate results. We expect retained annuities performance to moderate slightly for future quarters. Insurance results were mixed. While we reported improved Stop Loss and better-than-expected Group Life results, we experienced unfavorable Individual Life mortality.

Our first quarter GAAP net income results were supported by a favorable adjustment to the estimated loss on the Annuities transaction, which is reported within Discontinued Operations. We are required to remeasure the estimated loss on sale at the end of each quarter until transaction closing. The favorable adjustment was partially offset by fair value accounting of some of our mortgage securities positions due to rising rates as reported in the net realized gains and other category.

Importantly, we remain on track to achieve our quarterly Adjusted Operating Earnings target of $1.30 to $1.40 per share within 12 months of closing the Annuities sale.

Moving to Slide 9. Retirement Adjusted Operating Earnings reached an all-time first quarter high, excluding unlocking. This is primarily driven by a 9% year-over-year increase in both Retirement assets under management and defined contribution plan participants which, in turn, generated higher underlying fee income. This growth reflects strong commercial momentum across markets driven by higher distributor productivity and benefits from our strategic investments.

Beginning this quarter, Retirement results now include our Select Advantage investment-only product. This product had been part of the Annuities business but is not included in the transaction. Select Advantage results were reported in Corporate in 4Q '17. This product currently includes roughly $6 billion of assets and will continue to be available for sale to customers. The shift had a minimal impact in Retirement's first quarter operating earnings. As we grow assets and the impact of first quarter seasonality rolls off, we expect a larger earnings contribution from Select Advantage in upcoming quarters.

Administrative expenses, which are seasonally higher in the first quarter, also included $5 million of strategic investment spending previously reported in Corporate. Our unit costs have declined by 9% year-over-year, driven by disciplined expense management and the growth that I discussed earlier.

As mentioned on the previous slide, we incurred $41 million of DAC/VOBA unlocking, almost all of which related to our guaranteed minimum interest rate initiative. As we have shared over the last several quarters, we've been working with many of our clients to accomplish the following.

First, preserve the guaranteed minimum interest rate on existing fixed account balances; second, direct new deposits and transfers to a new fixed account with a lower guaranteed minimum interest rate that better aligns with market rates. The accelerated amortization this quarter was driven by a higher level of consents than previously expected, which demonstrates the strength of our customer relationships.

Using our new best estimates, we now expect the cumulative annual impact of lower DAC amortization as a result of the GMIR initiative to be $25 million to $30 million annually. This is revised from the previous range of $20 million to $25 million. We have realized the majority of our run rate benefit from previous GMIR actions. The incremental amortization benefit will emerge over the course of the year as consents go effective.

Should future consents exceed our best estimates, more accelerated amortization could emerge but the majority of this is behind us.

Turning to net flows. Our Small/Mid Corporate business generated its 18th consecutive quarter of positive flows, despite the merger-driven surrenders, while Tax-Exempt and Stable Value experienced some outflows. We expect second quarter net flows to be in line with those of first quarter and then improve in the second half of the year.

On Slide 10. Investment Management produced $61 million of Adjusted Operating Earnings, also our best ever first quarter results for this segment. This growth reflects our expertise in core fixed income and specialty asset classes and solutions, which represent over 50% of our third-party assets under management.

Our investment advisory fees benefited from additional commitments to a new private equity fund that we are raising. Our investment capital results were favorable, reported by higher carried interest on funds for which we are the general partner and earnings on certain collateralized loan obligations. We earned better-than-expected performance fees from our collateralized loan obligations as well.

Our trailing 12-month operating margin reached 29.1%, excluding investment capital results, which was driven by higher operating scale and continued discretionary expense discipline. Our first quarter net flows, excluding our variable annuity outflows, were affected by redemptions from a nonproprietary real estate retail fund, Stable Value surrenders and timing of a number of third-party institutional mandates. In the second quarter, for example, we have already closed a $660 million CLO, secured a $150 million specialty mortgage fund mandate and marketed a €400 million euro-denominated CLO that should price shortly. We also plan to close on additional private equity commitments.

This activity demonstrates continued strong demand for specialty asset classes and solutions that support fee margins in our core to our value proposition. Over the last 12 months, about 85% of our institutional sales have been from core fixed income and specialty asset classes and solutions. The fees on inflows have consistently exceeded those for outflows.

In the first quarter, the fee differential was 6 basis points favorable. Strong investment performance is critical to demand for our products and solutions. We continue to excel on this front, as approximately 80% of our assets under management outperformed benchmark or peer median returns on a 5-year basis as of the end of March 2018. Further, the combination of our strong performance and our increased number of consultant buy ratings will help build our institutional pipeline of opportunities.

As a reminder, the Annuities transaction will lower our net assets by approximately $18 billion, translating into a $35 million annualized pretax earnings impact. However, we will be the preferred partner for managing the general account assets for Venerable, which will own the variable annuities block post-transaction. As the Venerable team grows their portfolio, we are well positioned to participate.

Turning to Slide 11. Employee Benefits reported a 28.3% Return on Capital, underscoring the high return and capital light nature of this attractive business. First quarter results benefited from improvement in the loss ratio for Stop Loss and better-than-expected loss ratio for Group Life. Our in-force premium growth was modest as we took additional pricing action for our Stop Loss business. We continue to believe that pricing action taken over the last several quarters will help return the loss ratio for Stop Loss to our 77% to 80% targeted range by year-end. For example, our underwriting discipline resulted in annual premium increases double those of the prior year. The market, while competitive, remains rational as demonstrated by relatively stable annual premium level.

Our Voluntary offerings continue to represent an important growth driver. Voluntary sales rose by 41% year-over-year.

On Slide 12, Individual Life results were affected by higher mortality following 3 quarters of favorable mortality. This quarter's mortality results were attributable to both higher frequency and severity. As a result, we incurred $29 million of DAC/VOBA unlocking. We continue to see demand for our Indexed Universal Life policies as we work towards separating the Individual Life business from Annuities.

We will have more to share later in the year regarding our strategic review of Individual Life.

On Slide 13, we provide additional items to consider. Looking ahead to second quarter 2018, we expect lower administrative expenses due to realized net cost savings and the roll off of seasonally high first quarter items. The impact of lower expenses could be partially offset by certain items not recurring in Corporate, which could lead to a higher sequential operating loss in that segment. We also point out that market volatility in the first quarter will dampen beginning asset balances for Retirement and Investment Management. While we have provided some items to consider, there will, of course, be other factors that affect second quarter results.

Turning to our balance sheet on Slide 14. Our capital position is strong. Our estimated RBC ratio was 463% at the end of March. Our excess capital, which consists of estimated statutory surplus and holding company liquidity above target, was $548 million at the end of the first quarter. We'll be using a portion of that excess capital to execute additional share repurchases in the second quarter.

Our quarter end debt-to-capital ratio was below our 30% target. We repaid maturing 5-year senior notes in the first quarter using proceeds from our hybrid debt offering, for which rating agencies allow us to take partial equity credit.

Turning to Slide 15. As we celebrate our fifth anniversary as a public company. We are steadfast in our commitment to being good stewards of shareholder capital. As Rod mentioned, we completed the previously announced $500 million accelerated share repurchase in the first quarter. We plan to repurchase another $500 million of shares by the end of the second quarter, which will bring our cumulative share repurchases, since our IPO, to $4.4 billion.

We plan to use the expected proceeds from the sale of our Annuities business towards additional share repurchases. Our expectation remains that proceeds will support $500 million of share repurchases. Since the IPO, our market value has risen by over 70%. And we expect to have returned approximately $5 billion of excess capital to shareholders by year-end 2018.

In summary, our business continued to generate strong operating earnings at targeted returns. We continue to reduce risk, and our capital position and balance sheet are strong.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question will come from Ryan Krueger with KBW.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc. - Analyst***

My first question is on Corporate and the $65 million to $75 million loss guidance for the second quarter. Does that include all of the original Annuities stranded overhead that you expected? Or have you already started to see improvement as you've been undertaking the cost-cutting actions?

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

Ryan, thanks for the question. This is Mike. We have taken a few early steps toward addressing stranded cost, but I'd say, fairly minimal effect that has run-through the quarter other than the previously announced cost saves that we had talked about and guided to. I think you'll see that momentum really pick up in the third quarter and beyond. We are still confident in our ability to address and meet the $110 million to $130 million of cost saves that we expect 12 months after close. But from a modeling perspective, the Annuities stranded costs are more or less what we had anticipated. Reduction in that is not really reflected in the guidance.

Ryan Krueger ***Keefe, Bruyette, & Woods, Inc. - Analyst***

Okay. And then on Retirement, could you give some additional color on what's driving the expected outflows in the second quarter? And then what gives you confidence that it will improve in the second half of the year?

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

Yes, thanks for the question. Despite some short-term headwinds, we are really pleased with the underlying fundamentals and long-term positive trends. We're seeing both on the sales as well as retention. The biggest driver over the last number of quarters, this quarter, and as we look forward a little bit has been in our Stable Value fund business. In this quarter, it was primarily driven by 2 factors, a little bit of participant activity - just movement between equity and fixed, but also some from a multi-manager non-proprietary investment manager where we use our Stable Value fund in others' non-proprietary Stable Value fund pools, and they're bringing that in-house. We've seen that trend over last year and that's projected to continue through the remaining of this year. That's allowed us to reposition and de-emphasize that block and move more into some other Stable Value. If we think about the remainder of the year, we remain quite positive. This is our 18th consecutive quarter of positive net flows (for Small/Mid Corporate). We've added approximately 2 times more plans than we've had left. Although relative quarter-over-quarter from last year, the average plan size has changed a little bit, but that fluctuates over time. Anyhow, as we look forward, we have a really strong pipeline. We're selling with this quarter about 11% more advisers. We've got an increase in our pipeline in terms of quotes of about 10% for plans over $10 million. So that gives us a lot of encouragement. And we have an aspiration through the remainder of the year to add about 25% more wholesalers to our team to work with those advisers. So when you look at those fundamentals: we have more quotes, we are selling with more advisers, and we have more people selling throughout the remainder of the year. So that's what leaves me optimistic for the remainder of this year.

Operator

Your next question is from Suneet Kamath with Citi.

Suneet Kamath ***Citigroup Inc - Analyst***

Wanted to start with the excess capital. It looks like quarter-over-quarter, maybe the nominal amount of excess capital came down a little bit. I know you bought back stock, but I would assume you also generated some capital. So any color there in terms of what the drivers were?

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

Yes. Suneet, thanks for the question. The liquidity picture there is really a snapshot of where we are as of March 31st. There are occasionally loans back and forth from the holding company to some of our noninsurance subsidiaries. And while those are usually short-term in nature, this time they happened across the quarter. And so there is a temporary, what I'll call a timing difference that is reflected here. And that timing difference has since reversed. So the way to think of our excess capital is that it's probably closer to where we were at the end of last quarter, which is in the neighborhood of $700 million.

Suneet Kamath ***Citigroup Inc - Analyst***

Got it. And then, Mike, I got on the call a little bit late. So I don't know if you talked about it earlier, but any color in terms of what drove that below the line adjustment related to the Annuities business? The remeasurement.

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

Yes. The remeasurement of the loss on sale.

Suneet Kamath ***Citigroup Inc - Analyst***

Yes.

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

Well, if you think about how CBVA has acted throughout its history with us, we've been very focused on targeting the statutory and rating agency capital levels, the hedge is then tuned to that. It's been very effective, but the GAAP balance sheet and GAAP income statement has been volatile. I'm happy to say that our hedges continue to perform well. The proceeds that we expect from the VA sale are still where we expected them to be as of the time of the transaction, which is $500 million. But as you would have seen in the past, there's been some movement in the GAAP balance sheet and that has a corresponding effect in the GAAP loss on sale. So effectively on a GAAP basis, the value of the CBVA has gone down, which means that on sale, on disposal, the loss that we incur at the time of sale is also gone down. So -- go ahead, Suneet?

Suneet Kamath ***Citigroup Inc - Analyst***

Well, I was just going to say this is just almost like noise, right? There is no cash impacts or anything like that. It's just an adjustment?

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

Exactly. The proceeds are exactly what we expected them to be. The hedges performed well. We continue to be focused on the cash aspects. And as we said, all along, the GAAP noise from CBVA is truly non-economic. It's simply a function of the rules we have to follow in computing GAAP reserves, and frankly, they're a bit disconnected from what the true economics are.

Operator

Your next question is from Nigel Dally with Morgan Stanley.

Nigel Dally ***Morgan Stanley - Analyst***

First, just had a question on the retained annuities in Corporate. If I can get a little more color there? How much did it contribute to earnings this quarter? What should we expect going forward? And just some details on the assets under management of that retained annuity block?

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

Sure, Nigel. Let's start with the assets under management. On the CBVA side, there is about $2 billion of account value that's retained. About 1/3 of that has guaranteed living benefits. It's very well reserved. The NAR is essentially negligible on that block. It's a relatively conservatively reserved and priced block. On the fixed annuity side, I believe the account value is about $4 billion that we're retaining and that is (excluding) the Select Advantage Custodial Mutual Fund account that we had reported in Corporate in fourth quarter, but $4 billion give or take is what we have in the Corporate block now. That's some payout annuities and also some fixed and multi-year guarantee annuities. The earnings in the quarter were in the $15-20 million range. I think we're expecting them going forward to be more in the $10-15 million range per quarter, pretax.

Operator

The next question is from John Barnidge with Sandler O'Neill.

John Barnidge ***Sandler O'Neill + Partners, L.P. - Analyst***

Can you update me on repricing actions in your Stop Loss business? It really seems like that businesses loss ratio is improving a bit faster than expected.

Rod Martin ***Voya Financial, Inc. - Chairman & Chief Executive Officer***

Yes, Rob will take that.

Rob Grubka ***Voya Financial, Inc. - President of Employee Benefits***

Yes. Thank you, John. Appreciate the question on that. We've messaged all last year really about being focused on the discipline around that business and what we're going to do from a pricing standpoint, I think, both new flows and then Mike's comments around the pricing impact that we had on the renewals for the (January 1 season). It's faster than may be anticipated from yourself and ourselves, but feel really good about the path we're on for the year and being in that 77% to 80% range as we finish up.

John Barnidge ***Sandler O'Neill + Partners, L.P. - Analyst***

Great. And then could you talk maybe what you're seeing as it relates to MiFID II impact to your Investment Management business?

Rod Martin ***Voya Financial, Inc. - Chairman & Chief Executive Officer***

Christine will take that.

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

Yes, John. As far as MiFID II goes, we have a small operation in the U.K. that we work to getting this compliant. But overall, we're predominantly a U.S.-domiciled asset manager. And so the cost that you're seeing out of some of the large global competitors, we are not experiencing. That being said, we continued to be very judicious in our own investment research spend outside the company as well as continue to view this as an advantage just given the in-house proprietary research investors that we have.

Operator

Your next question is from Tom Gallagher with Evercore.

Tom Gallagher ***Evercore ISI - Analyst***

First question is just on the asset management side, kind of a higher level question. I know you guys rattled off some various mandates you expect to be funded, which sounded like the pipeline looks pretty good. All in all, what do you think that means for third-party flows? They've been positive. They moved to lower this quarter, but they still remain positive. Do you expect those to get better? Still stay positive? And also, when CBVA goes away, that's been the main source of our outflows, do you think we might see total asset management flows turning positive at some point driven by that?

Rod Martin ***Voya Financial, Inc. - Chairman & Chief Executive Officer***

Tom, Christine will provide some details, but you're absolutely correct in your interpretation from Mike that we are bullish about our pipeline, and I'll let her fill in the details.

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

Yes. Thank you. As far as the third-party flows we had in the first quarter, we came in slightly positive. And a couple of things to consider. Certainly, in terms of net outflows, there were some asset allocation rebalancing that's very natural at the beginning of the year. Plus last first quarter and normally, we price the CLOs. We price the CLO at a little over $600 million that did not price or settle in the first quarter that hit the second quarter. So we've also priced, or we're in the process of getting ready to price, our first ever European CLO, it's slightly over $400 million. This is notable. This is our first entry to grow our CLO franchise into the European market. So that being said, when you think about our flows - active manager flows. And when you look at competitors and we're watching what the industry has done, active flows have been negative, ours are positive. Also notable are fees that we have earned, not only this quarter, our fees on what we earned on inflows is above the fees on the outflows. That's not only this quarter. We actually have that for a 12-month trailing basis. So just again, I think, strong pipeline, confidence, specialty asset classes that we manufacture are in demand and also less susceptible to some of the pricing pressure you're seeing from competitors that they're experiencing.

Tom Gallagher ***Evercore ISI - Analyst***

Got you. And Christine, the pickup in revenue yield, is that really driven by CLOs, would you say, overall?

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

No. It's actually very broad-based. So when you think about what we're selling in addition to CLOs, also private equity, our Pomona funds, and some of our commercial real estate and specialty mortgage strategies, we have a mortgage hedge fund. Like mentioned, we had a good inflow in the first quarter. So again, it's not just one strategy, it's actually really the book of business. And again, this goes back to what is in demand, what we manufacture relative to what people are leaving from the competitors, which would be more core bond or liquid equity strategies.

Tom Gallagher ***Evercore ISI - Analyst***

Got you. And then, I guess, for Rod or Mike, just a question on the common dividend. It's a very low nominal amount. And with the improvement you expect to get in cash flow post the sale of the CBVA, would you anticipate any real change there? Or do you think it's still going to mainly be about buybacks given the valuation of your stock?

Rod Martin ***Voya Financial, Inc. - Chairman & Chief Executive Officer***

Tom, great question. What we are guiding to is, post-close of the Apollo-Athene transaction, we will be announcing the date of our Investor Day. And what we intend to cover, among other things (and other things being our '19, '20, '21 plans), are certainly discussing around sources and uses of capital - prospectively like we did at the last Investor Day. And that will include an updated conversation that we've been having with the management team and our board around exactly your question: where we think the dividend approach philosophy and strategy will be, how our approach will be toward share buyback as in addition to what we may be looking at in terms of inorganic activity on bolt-on acquisitions that could be quite useful to the various platforms that we own. So we think that's a natural place to have that conversation, and we look forward to doing so when we've advanced that considerably with our management team and our board and stay tuned.

Operator

Your next question is from Sean Dargan with Wells Fargo.

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

Yes. Just wanted to follow up on this Investor Day. So it sounds like your management time and attention is focused on closing the CBVA and Annuities transaction, so we won't get any update on the life strategic review until after that's done. But is there any chance that we would get new financial targets and metrics that are more in line with what maybe analysts/investors are used to in the industry at that Investor Day?

Rod Martin ***Voya Financial, Inc. - Chairman & Chief Executive Officer***

So I'll deal with the first part, I'll let Mike deal with the second part. I think you've essentially summarized it well, but let me walk through the pieces. Priority one is executing our 2018 business plan. We're very pleased with the results you're seeing for the first quarter. Second focus has been closing the Apollo and Athene transaction as fast as we can. We're working in great partnership with Apollo and Athene, and we've guided to a second to third quarter close. And we've made excellent progress on all fronts in relation with that. Recall a couple of years ago, we put together our Life and Annuities businesses, and so we're having to separate those businesses that Carolyn Johnson is doing an incredible job with. The Annuities businesses are going with the Apollo and Athene, and the strategic life review was a natural outgrowth of separating that. Let's take a look at what kind of the choices and options are. And I think it would be very premature to draw a conclusion that we've made, any decision other than we are again going to examine every single thoughtful option and update you appropriately. And we're using Investor Day as a guide point to give you the best update that we can, but we will continue to be very good stewards of capital in making those decisions as it relates to the life, so I'll now let Mike to speak to the metrics.

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

Yes, sure. Sean, I think, in short, the answer is, we want to continue to increase our comparability with our peers. We want to become more normalized. I think there were really good reasons for why we presented our results the way we did, particularly as it related to the Closed Block Variable Annuity and all the complications that produced. We think that it served us well to help illustrate the improvement that we did make in the returns over the past 5 years. But we do think going forward, we will shift to more of a focus on EPS growth and a more normalized approach to calculating ROE. You saw in this quarter even the way we do tax rate is more like the way our peers do it. We moved to a tax rate that can float from period to period as opposed to one that we predetermine. So I think we're trying to become more and more comparable to make it easier for investors to understand how our performance stacks up, and we think it stacks up pretty well.

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

All right. And so would I be right to interpret that there'll be more of an emphasis on growth as opposed to expanding returns going forward when CBVA and the annuity block has closed and you've come to whatever conclusion you're going to come to with Individual Life?

Rod Martin ***Voya Financial, Inc. - Chairman & Chief Executive Officer***

In a word, yes. And to expand on the word, as you know, we were punching below our weight when we began. We've gone from the bottom quartile to the top quartile on ROE. We want to write as much business as we can at these attractive targeted returns and we are. And it is very much focused on growth. And we think you see that. We hope you see that as a result of the first quarter and our outlook for the second.

Operator

Your next question is from Erik Bass with Autonomous Research.

Erik Bass ***Autonomous Research - Analyst***

I had a couple of follow-up questions on Investment Management. First on the Affiliate Sourced flows. We have seen some outflows there in addition to just from the CBVA. And is it right to think that's just a read over pressure from Stable Value outflows you're seeing in Retirement? And then secondly, on the fee rates, just wondering broadly, what you are seeing in the industry? And then Waddell & Reed commented yesterday about potentially bringing down fee rates on some of its products and they're relatively more retail-oriented, but have you seen, in response to tax reform, any changes in fee rates from competitors as people are looking to either gain or retain market share?

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

Yes, thank you. To start off with Affiliate (Sourced) net cash flows, you're right. Predominantly, what we saw there were outflows related to Stable Value. So from that, what Charlie referenced earlier come to cross our financials as outflows. And so think about Stable Value again, it's a combination of a couple of things. Number one, as Charlie referenced, some of the multi-manager platforms we are for some sub-adviser on. And as fee pressures have happened, which you're referencing in the industry, what we're seeing is that these managers, due to fee pressures they're experiencing, are trying more and more to take assets away from sub-advisers, bring them in-house in order to protect their own revenues and margin. So that was the predominant contributor to the outflows that we saw there. And we expect that to dissipate going forward, but again, that is an outside managers' decision. Charlie and I are working on a lot of other important things, including a retail target-date marketing campaign in the first quarter, which we distribute through Charlie's organization. So we have some good things going on in terms of the category of Affiliate Sourced flows. And then when you pivot to fee pressures overall in the industry, as you can see, we're really bucking the trend, if you will, because our actual fees are going up in the context of all that. That being said, we have a very diverse platform of investing capabilities when you think about active equity, fixed income and various private capabilities. And so in the liquid strategies, we do see fee pressure like other competitors. But we have such a diverse strong book of business that we're able to do that in scale and grow our margin despite some of the pressures that you do see in the liquid strategies. And then finally, also to mention to you, periodically, we do as well, as Waddell & Reed mentioned, we have lower fees on some of our funds, including our retail target-date fund that I just referenced in order to stay competitive. But again, we have such a great product range that I expect our margins continue to expand.

Erik Bass ***Autonomous Research - Analyst***

That's helpful color. And then Mike, just one follow-up for you. You mentioned the move to letting the tax rate float a bit and look like it came in a little bit lower than you'd expected for the full year this quarter. Any change to your full year guidance? And anything particular that drove the variance this quarter?

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

Yes, Erik, the tax rate will float going forward, as you said. The way to think about the 18% to 20% is it was based on a normalized income level, and the relative proportion of which is affected by the DRD. The DRD is -- think of it as a constant amount, and as income goes up and down -- so in this quarter, for example, income was affected by the DAC unlock, which lowered overall income, that meant the proportion of DRD was higher and that resulted in a lower overall tax rate, to the extent that there is positive unlocking will be toward the upper end of the range. If you just normalized our quarterly results and exclude DAC unlocking, we would have been right at the bottom of the range of 18% to 20%.

Operator

Your next question is from Josh Shanker with Deutsche Bank.

Joshua Shanker ***Deutsche Bank AG - Analyst***

I want to understand a little about the Select Advantage move out of Corporate. What was the income statement impact in 4Q from that? And how much earnings got moved from Corporate to Retirement?

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

So just to give you a little more color on that choice, I think the Select Advantage is a Custodial Mutual Fund product that's been part of our Annuities business. As I mentioned in the comments that it was retained, it is not part of the transaction. In the fourth quarter, we ran it through the Corporate line along with the rest of the retained annuities business. Haven't really made a decision about where it was going to reside and if it was even going to be an ongoing business for us. So during the quarter, we made a determination that it would continue to be an ongoing business and that it best fit with our Retirement business. And so that led to the movement from the Corporate to Retirement. In terms of income impact in the quarter, it's really negligible. The $6 billion of assets, but because of the seasonality of expenses, the overall amount of income that was transferred into Retirement is de minimis. It will be a little bit higher. It will be in the low millions per quarter going forward, but it's not going to transform the income statement of Retirement.

Joshua Shanker ***Deutsche Bank AG - Analyst***

And does it change the aggregate fee rate at all of the overall fund complex?

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

I don't think it's changed that materially, no.

Operator

Your next question is from Alex Scott with Goldman Sachs.

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

I just wanted to ask however a question about fees in Retirement. I think one of your peers on the 401(k) side cut their fees a bit earlier this year, and then I think some of the commentary from asset managers suggest maybe there are some that are cutting fees partly attributed to sort of using tax benefits to grow business more aggressively. Like are you seeing any of that when you go out to compete? And any kind of contemplating around doing some of that yourself?

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

Relative to tax reform, I don't think we've seen any material impact on market prices as a result of tax reform. The market continues to be competitive. Certainly, price compression or downward price pressure on fees is nothing new in our industry. We've been dealing with this for many years. But Voya, in our Retirement business is very, very well positioned for 4 reasons to be able to manage kind of the ongoing price pressure in the industry. I'll give you kind of 4 key things to think about. One, the scale and the size of our business and the multiple segments in which we operate, we are not relying on any one particular segment. Two, is our disciplined expense management as evidenced by our 9% reduction in our unit costs in Q1 this year versus last year. Three, our growth. As you can see, we had really strong growth in the number of advisers, number of our repeat advisers over the last number of years in our segments and we continue to grow that really strong growth prospect. And four, and this is really important as I think about reasons to be able to kind of manage price compression going forward is our enterprise value, as Christine talked about Investment Management and Rob with Employee Benefits and our Retirement services, our combination of businesses and how we deliver to the market with our distribution footprint really is a differentiator. And so this is how we think we can differentiate on the price compression as, obviously, all these things have led to our record profitability for the first quarter of this year, and we feel strong as we go forward.

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

That's really helpful. And maybe following up on, I guess, the comment on potential bolt-on M&A. Could you give us any kind of color on where maybe that will be focused just in terms of would it be about product capabilities, geographies, scale, any color you can provide?

Rod Martin ***Voya Financial, Inc. - Chairman & Chief Executive Officer***

Sure. And Alex, this is Rod. I'll do this at a high level. Let me first build on a point that Charlie just made. And if you think about the last 10 years, with DC providers, defined contribution providers, and this includes Voya. The market share has gone for the leading providers from 50% to about 75% of the market, as measured by assets, which is what gives us optimism that this will be a further consolidating industry. And we intend to participate in that post the close of the Athene/Apollo transaction. So one of the answers to your question would be, as people make the judgment on whether or not this is a core business for them, it'd be a logical extension to be a participant in that way. Another example would be either in our Employee Benefits business or our Investment Management business in terms of additional distribution or product capabilities that could be added to what we have. As I mentioned, in terms of the reference to the Investor Day, this will be a broader part of the conversation that we'll have in terms of sources and uses of capital, and we will address dividend question, the share buyback question, and also, the capacity to using good judgment and being good stewards of capital, how this makes it in our prospective clients, but we intend to be a growth company and continue to invest in our businesses.

Operator

Your next question is from Andrew Kligerman with Crédit Suisse.

Andrew Kligerman ***Crédit Suisse - Analyst***

Want to start on the specialty benefits business. It looks like you have done quite well in meeting your benefits ratio objectives, but the premiums as a result of being more disciplined in pricing as you wrote in the release. It seemed very modest in terms of growth in sales were up. So 2 parts on this one. Give a little color, please, on your pricing? In Stop Loss, in group, how much is it up? And then what do you see as the trajectory for premium growth in those 2 areas for the balance of the year?

Rod Martin ***Voya Financial, Inc. - Chairman & Chief Executive Officer***

Andrew, I'll have Rob jump in to this, but 2 things that I would be framing as Rob jumps into it. One was, we had discussed and guided the intention of getting the business back in the range of our loss ratio targets, that is happening at a little bit faster pace than we expected. We thought that would be by year-end, so we're very pleased with the outcome. They'll give us some dimensions of that. So that has been an overarching objective, more important than sales. The other thing I'd point to is the growth in the in-force premium and the growth in our voluntary business. And with that, I'll let Rob add the color.

Rob Grubka ***Voya Financial, Inc. - President of Employee Benefits***

Yes. Great. Thanks, Rod. Thanks for questioning, Andrew. I'll maybe break it up a couple of pieces. From a Stop Loss perspective, I think Rod hit it really well. We are pleased in what we got from the renewal standpoint. I won't get overly precise and exactly how much that is, but we certainly moved it in the right direction. And then we had a mindset coming in to the year on how much new business do we want to sell relative to the size of the book as you can imagine and like any other business, acquisition pricing and what we were going to do there. We didn't want to compound our problem, and so we just took a very methodical, thoughtful approach to how much new business we write. As you can think about going forward, Stop Loss is a business with momentum and sort of wind in the sales of being driven by medical cost and the trends there. And so we certainly expect to get back to growth. Is it going to be a nice clean path every quarter over quarter over quarter? I won't say that. But long term, the trajectory of that business certainly be double-digit growth as we think about it moving forward. From a Voluntary business perspective, certainly, in the numbers you see, we've had good success there and really speak to the point of the diversity of the business and where we can drive growth, Stop Loss, an important piece of that. Voluntary certainly is the other leg of the stool that we see is good momentum to it and also long-term trajectory to it. So we feel good about where we're at with that business. And the leveraging of the relationships that we've had in the Stop Loss phase has certainly translated into where we want to have success. The market segment we plan being more upmarket, we see a lot of runway there as well.

Rod Martin ***Voya Financial, Inc. - Chairman & Chief Executive Officer***

I would guide you to look at our in-force premium growth over a period of time in this business that's been encouraging and reinforce the point that Charlie made. If you think about what Voya is becoming prospectively after the close of the Apollo/Athene transaction, fundamentally a work site and institutionally focused business. And we think we've got great leverage, which means our Employee Benefits business, our Investment Management business and our Retirement businesses in approaching this market in a way that will become more contemporary over time.

Andrew Kligerman ***Crédit Suisse - Analyst***

Got it. Got it, got it. Okay. And then just a follow-up on the Retirement segment. So you had net outflows of $370-ish million. I think guidance was somewhere for around net outflows of $500 million to $600 million. You did a little better. I think it was, as it was described last quarter, maybe one big account or something to that effect. But now you're saying that next quarter, your net flows will be in line with this quarter and then you expect to pick up toward the end of the year. I had sort of expected a pickup right after the first quarter, so maybe a little color around where these net flows are going for the balance of the year?

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

Sure. As I mentioned, a large contributor has been the Stable Value and, in particular, this nonproprietary multimanager that Christine and I have been speaking about. And that probably has been the biggest contributor as we looked forward towards the second, third and fourth quarter. And we're de-emphasizing that and introducing some new products in the 403(b), 401(k) space for Stable Value that we're optimistic are going to gain some market traction as well. As may be a little more color for you on the retention side of the equation. It is interesting. We had a 10% improvement in fewer plans leaving this quarter than we did first quarter of last year. So our retention has really improved. And it's a little bit different in terms of how sometimes you get a few bigger plans, they go from first quarter, second quarter. But we have a pretty good line of sight in terms of the next number of quarters, and we feel really strong about our retention, but equally strong on our growth prospects. As we look at our pipeline relative to sales, the number of advisers that we're quoting with, the number of repeat advisers, those types of things. And, in particular, as we think about is it going to be a little bit of a hockey stick in third and fourth quarter on net flows because I think all these things will start to kind of build on themselves as we go through the year and compound it by the fact that we're adding significantly to our distribution sales team that will begin to contribute as the year progresses. So all in all, it's going to be a little bit bumpy in the second quarter, but we think we're going to rebound strong later in the year.

Andrew Kligerman ***Crédit Suisse - Analyst***

Okay. So you get everything kind of lined up as we get to the third quarter, but not in the second?

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

Yes.

Operator

Your next question is from John Nadel with UBS.

John Nadel ***UBS - Analyst***

So back on the M&A side. So Rod, as we get close to the closing of the VA sale, I was just wondering whether with all the additional bandwidth you've got in the organization and far or less complicated organization, would you may be look at long-term care insurance as an area, given how well it's affecting the rest of your peers. And that is just a joke. The real question I've got for you is...

Rod Martin ***Voya Financial, Inc. - Chairman & Chief Executive Officer***

If I do, come back and shoot me in the foot.

John Nadel ***UBS - Analyst***

On a run rate basis, Mike, coming out of the first quarter, how much of the targeted $110 million to $130 million of expense save is now in the results?

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

I'd say, fairly minimal at this point. Single digits is the way to think of it.

Rod Martin ***Voya Financial, Inc. - Chairman & Chief Executive Officer***

Let me just build on that. As Mike has said and I think if you look at our track record, we said we would accomplish that 12 months post-close. We've been exceedingly disciplined since we've been a public company. In fact, one of the things that I would point to with great confidence is we have met or exceeded our cost reduction target each and every time we've led them out. So we are well advanced in our thinking. But again, when you execute these, the first thing is separating Life and Annuities, the second place is we're standing up a company with Apollo and Athene, that is no small task, but we're doing it in really record time. And that's not only just Voya contribution, that's the Apollo and Athene contribution. So we're moving forward with that, and we will be in full execution mode once we close.

John Nadel ***UBS - Analyst***

And I just want to make sure I understand this, the $110 million to $130 million of save, is that lined up directly against the stranded overhead? Or is there some additional amount of expense save that we should expect after you are able to remove the stranded overhead cost?

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

I think, generally, we'll be looking to reduce our overall expenses where we can and still be able to grow at the levels that we've set. So...

John Nadel ***UBS - Analyst***

But the big chunk is the overhead.

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

Yes, and I think we're going to do what we can to line up the savings with the stranded cost, but there will be some initiatives that include the businesses as well as we seek to take advantage of our simpler structure. I think the key though is we'll try to make it as easy to follow as possible as it relates to where the cost saves are coming and what it's going to look like -- the stranded costs come out, whatever is left, to the extent, there are any. And we'll try to make sure that that's clear as to how that's going to unfold as we get closer.

John Nadel ***UBS - Analyst***

Okay, that's really helpful. And then the last question I have is a bit more technical. From a legal entity perspective, is any of the deferred tax assets residing in the life insurance business entity? And is that something that we should be considering as you go through this strategic review?

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

John, certainly, taxes are an important part of our considerations as we think through what the implications of any potential transaction could be. As Rod said, you or others should not assume that we've made decisions on that front. So as we get closer to making whatever decision we make, to the extent there are tax implications that are driving that, we'll certainly do our best to illuminate how that's going to affect the transaction. I think at this point though, John, it's kind of early to model that from your perspective because there are a number of variables that could affect how the taxes are a run-through on the other side of a transaction.

John Nadel ***UBS - Analyst***

Yes. Understood. I'm just thinking and I'm sure you guys are thinking this way too, I just want to see you get value for the DTA.

Mike Smith ***Voya Financial, Inc. - Chief Financial Officer***

I think that's an excellent point, John. I think it's a key part of our considerations as we are thinking about what to do next is making sure that the value is commensurate with what we think it's truly worth and holding it could possibly be the way to maximize shareholder value. So we're focused exclusively on that, which is maximizing shareholder value.

Operator

Thank you, ladies and gentlemen. We have now reached the allotted time for questions. I would like to turn the conference back over to Mr. Rod Martin for closing remarks.

Rod Martin ***Voya Financial, Inc. - Chairman & Chief Executive Officer***

Thank you. In closing, we've continued to improve our business results and drive profitable growth. We've reached our 5-year anniversary, well positioned to grow retirement investment management and Employee Benefits businesses, achieve operational excellence and complete the Annuities transaction. We're very proud of what we've accomplished during the first 5 years of Voya's existence, and we look forward to building upon all of our financial and operational improvements supported by the cultural transformation of Voya. We're advancing on our journey. We're excited about our future. Thank you, and good day.

Operator

Thank you, ladies and gentlemen. This does conclude today's conference call. You may now disconnect.