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PRESENTATION

Operator

Good morning and welcome to the Voya Financial second-quarter 2018 earnings conference call. (Operator Instructions). Please note, this event is being recorded. I would now like to turn the conference over to Michael Katz, Senior Vice President of Investor Relations. Please go ahead, sir.

Michael Katz ***Voya Financial, Inc. - SVP of IR***

Thank you and good morning. Welcome to Voya Financial's second-quarter conference call. Materials for today's call are available on our website at investors.voya.com or via the webcast.

Turning to slide 2. Some of the comments made during this conference call may contain forward-looking statements within the meaning of Federal Securities Law. 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 US 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 US 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 some key themes. During the second quarter we demonstrated our commitment to growth, operational excellence and continued good stewardship of shareholder capital. We increased our second-quarter Adjusted Operating Earnings, excluding DAC unlocking, by 20% year over year while achieving a top quartile ROE. This included record Adjusted Operating Earnings for Retirement. And, as Mike will share, our Investment Management, Employee Benefits and Individual Life businesses all continued to deliver solid performance.

We are pleased with our progress and we are excited about our plans for continued growth. We are tracking to $1.30 to $1.40 quarterly earnings-per-share target that we aim to achieve by the end of the second quarter of 2019. And we're making great progress on our 2018 priorities. On June 1, we closed the transformational transaction that significantly reduced risk.

With the support of our employees we successfully closed the transaction in just five months. This transaction has made Voya a simpler, more focused Company that can leverage its strengths to drive improved customer outcomes. And we are well positioned as a higher growth, higher return, and capital-light business. And we are on track to deliver $110 million to $130 million in expense savings by the end of the second quarter of 2019.

We also continue to execute on our growth priorities. During the quarter, we grew full-service recurring deposits in retirement at 14% year over year. Within Employee Benefits, we generated in-force annualized premium growth of 19% in our Voluntary product line year over year. And achieved 10 consecutive quarters of positive Investment Management-sourced net flows.

We continue to have a strong capital position with approximately $700 million of excess capital as of June 30, and most recently we repurchased $500 million of our shares in the second quarter, completing our plan to repurchase $1 billion of shares by June 30. We plan to repurchase a further $500 million of shares during the second half of this year. And we are on track to have repurchased nearly $5 billion of shares by the end of 2018, which is close to our original market cap at our IPO in 2013.

And finally, we recently welcomed Curtis Arledge as a new independent director on our Board. Curtis has significant experience and a strong background in asset management, having held several leadership roles in the industry. I am confident that our Company, customers and shareholders will benefit from Curtis' unique insight and skills, as well as his track record of helping financial institutions think differently to achieve their growth plans.

Turning to slide 5. 2018 is a pivotal year in the transformation of our company, and our commitment to operational excellence is reflected in the significant progress that we are making on our priorities. As I mentioned, we completed the Annuities transaction. As I also noted, we are on track to deliver $110 million to $130 million in expense savings by the end of the second quarter of 2019.

We are transforming our IT systems and processes. We are streamlining our operations, and we are further simplifying our organization. We are also executing on our capital initiatives and our growth plans continue to be a priority. We are investing in our businesses to continue to distinguish ourselves in the marketplace.

Our focus on best serving our customer needs, combined with our scale and experience, will enable us to continue to grow. And we are making good progress across our businesses, particularly as we deepen cross-enterprise relationships. At our Investor Day in November we look forward to discussing our long-term strategy.

Moving to slide 6. Our people have been key to our success both operationally and culturally. In May, we held our fifth annual National Day of Service. Once again, we had record employee participation and partnered with more than 100 nonprofits across the country.

Most recently, we received recognition for our Voya Cares program and our commitment to serving people with disabilities and special needs. We debuted as a "Best Place to Work for Disability Inclusion" on the Disability Equality Index. We also earned the "Employer of the Year Award" from Disability:IN, which unites businesses around disability inclusion in the workplace, supply chain, and marketplace.

Additionally, we were named a finalist for ESPN's Sports Humanitarian Award for our Invest in Something Special initiative with Special Olympics. Also for the first time, we were included on the FTSE4Good Index, which recognizes companies that demonstrate strong ESG practices. This recognition also potentially makes us more attractive to ESG-focused investors and funds.

These recent awards demonstrate just a few of our initiatives that sit at the intersection of doing good business and doing the right thing. They also demonstrate our strong culture and the character of our brand. Now 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. We reported second-quarter Adjusted Operating Earnings per Share of $1.13. Our second-quarter results included $0.13 of negative DAC unlocking, primarily in our Individual Life segment. I will provide more detail later.

Results also included favorable investment performance from our alternatives portfolio. Combined prepayment and alternative income was $0.06 above our long-term expectations. Our second-quarter operating results were significantly higher than those of second quarter 2017 when we reported $0.39. Excluding DAC unlocking, we reported $0.81 in second quarter 2017.

As a reminder, all historical figures have been adjusted to reflect the impact of discontinued operations due to the Annuities and CBVA transaction. Cumulative asset growth, cost savings realization, tax reform, and share repurchases were the main drivers of EPS growth. Individual Life mortality improved sequentially while our loss ratios for Stop Loss and Group Life increased modestly.

Our second-quarter 2018 adjusted operating results also included the impact of the June 1 closing of the Annuities transaction. Furthermore, without the Closed Block Variable Annuity results, our adjusted operating income will align more closely with reported GAAP net income.

As Rod discussed, we feel good about our progress towards achieving our quarterly Adjusted Operating Earnings target of $1.30 to $1.40 per share by the end of second quarter 2019.

Moving to slide 9. Adjusted quarterly operating earnings for Retirement reached an all-time high driven by strong investment performance from our alternatives portfolio and a seasonal decline in expenses. Our trailing 12 months Return on Capital grew to 12%.

Turning to net flows, or full-service corporate markets generated its 19th consecutive quarter of positive flows while tax-exempt and stable value experienced outflows. Looking ahead to the second half of 2018, we expect net inflows to our higher-margin full-service corporate and tax exempt markets to be roughly in line with 2017 second half levels, driven by higher recurring deposit growth.

We have been able to grow full-service recurring deposits sustainably over a long period of time. Since 2014, full-service recurring deposits have grown at a compounded annual growth rate of 7%. We expect overall Retirement net outflows of approximately $600 million to $800 million in the second half of 2018, driven by a few large Stable Value surrenders.

While we will no longer manage the underlying assets for Stable Value surrenders, for some we retain the full wrap guarantee in that portion of the revenue. The net earnings impact of these surrenders will not be meaningful for our Retirement segment. The financial contribution from higher-margin flows will more than offset the stable value surrenders.

Our ability to grow new full-service business has been enhanced by our investments in distribution expansion and technology. We have also expanded our capabilities to offer nonqualified deferred compensation plans through our purchase of Pen-Cal, which will further enhance our solution set for clients.

On slide 10, Investment Management produced $52 million of Adjusted Operating Earnings. The June 1 closing of the Annuities transaction led to a net $18 billion transfer of assets, translating into a $3 million pretax earnings impact in the quarter. The full quarter run rate earnings impact would have been approximately $9 million.

Our trailing 12 months operating margin was 28.9%, excluding investment capital results. This figure is expected to decline in the third quarter as the reduction in earnings related to the transferred assets is realized.

Earnings on certain CLOs and seed capital investments supported positive investment capital results. As expected, we generated large positive institutional net flows in the quarter. This marks our 10th consecutive quarter of positive Investment Management-sourced net flows.

In specialty fixed income, we closed on three new CLOs totaling $1.6 billion and a $150 million specialty mortgage fund mandate. We also had institutional wins in our commercial mortgages, private credit and unconstrained fixed income strategies. Furthermore, we closed on final commitments for our largest private equity fund that we have raised to date.

The fees on inflows exceed those for our outflows, particularly as CLO and private equity funds tend to earn higher fees relative to our other assets. The fee differential was 10 basis points favorable in the second quarter, but may vary in future quarters depending on asset mix.

While Investment Management will be modestly affected by the second half stable value surrenders I mentioned earlier, we have good commercial momentum that will more than offset this development. Supported by our strong investment performance across a range of strategies, we are encouraged by our diverse sales pipeline for the back half of the year.

Turning to slide 11. Employee Benefits Adjusted Operating Earnings improved year over year and sequentially. At the end of the second quarter our trailing Return on Capital reached 29%. Ongoing momentum in our Voluntary business offset higher loss ratios for Group Life and Stop Loss. Voluntary premiums increased 19% year over year. We provide additional details regarding our voluntary premium growth in a new disclosure in our investor supplement.

Our Group Life loss ratio was affected by claims that materialized in April instead of the first quarter. Recall that we reported a loss ratio of 79.3% in the first quarter, which was favorable relative to seasonal expectations. We continue to believe our expected range of 77% to 80% is appropriate for Group Life overall and expect to see a return to that range next quarter.

For Stop Loss we are confident that pricing action taken on 2018 business will move our loss ratios back into the 77% to 80% targeted range. We expect to return to that range for Stop Loss in the third quarter.

On slide 12, Individual Life Adjusted Operating Earnings rose year over year and sequentially. We benefited from lower severity and frequency in the second quarter relative to first quarter. We encourage DAC unlocking of $31 million mainly driven by reinsurance. Our Return on Capital is expected to trend lower in upcoming quarters.

As a reminder, GAAP capital for the Individual Life segment increased due to the impact of tax reform on the segment's deferred tax liability. As a result average GAAP capital for Individual Life will continue to increase over the next two quarters.

We remain active in the index universal life market, generating second-quarter sales consistent with first-quarter levels. 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 for the quarter. For the third quarter we expect Individual Life net underwriting results to normalize and Corporate operating loss to be in the $60 million to $70 million range. In the second quarter our Corporate results benefited from a $10 million reserve refinement related to our retained Annuities. This refinement was made following the close of the Annuities transaction and is one-time in nature.

While not explicitly quantified, share repurchases will have a meaningful positive impact on third-quarter EPS. We plan to repurchase $500 million of shares in the second half of the year split roughly evenly between the third and fourth quarter.

We note that our effective tax rate was 17.9% in the second quarter. Our dividends received deduction benefit has grown, thereby lowering our effective tax rate. We are consequently revising our effective tax rate guidance to 16% to 19%. While we have provided some items to consider, there will of course be other factors that affect third-quarter results.

Turning to our balance sheet on slide 14, our capital position is strong. Our estimated RBC ratio was 452% at the end of June. During the second quarter the NAIC approved industry-wide changes to the RBC formula to reflect revised tax rates. These changes, which will become effective at year-end, would lower our current estimated RBC ratio by roughly 35 points. This is about half of what we had initially expected.

Our excess capital, which consists of estimated statutory surplus and holding company liquidity above target, was nearly $700 million at the end of the second quarter. Our quarter end debt-to-capital ratio was below our 30% target. To further strengthen our balance sheet, we plan to reduce our outstanding debt by approximately $300 million in the second half of 2018.

Turning to slide 15, as depicted in the graph on the left, if we adjust Voya's closing share price on July 31 by our estimated value of our deferred tax assets, Voya trades at approximately 8 times 2019 consensus earnings. We believe Voya shares trade at an attractive valuation, particularly given our high-quality earnings, our high free cash flow generation, and the growth opportunities ahead of us. At these trading levels we continue to view share repurchases as value enhancing for shareholders.

As Rod mentioned, we repurchased $500 million of shares in the second quarter as part of the 1.5 billion share buyback plan announced last December. In summary, our businesses generated strong operating earnings at targeted returns. We reduced risk via the closing of the Annuities transaction, and our capital position and balance sheet remain strong. With that, I will turn the call back to the operator so that we can take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Nigel Dally, Morgan Stanley.

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

Great, thanks, good morning. First on capital, just hoping to get some color as to the various sources and uses of capital this quarter. It seems like you are very aggressively repurchasing stock, but your capital still grew, which I'm guessing is a reflection of the annuity transaction. Just hope you can run through the specific details there.

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

Sure, Nigel, this is Mike. Thanks for the question and good morning. I think of it in four pieces really. First, as you mentioned, the share repurchases of $500 million, so that is part one. Part two would be the proceeds from the annuities transaction, which were roughly $500 million, so that's basically a wash. And then during the quarter we generated income. That was statutory income that was offset by the results of the transaction on our investment portfolio. And let me just dig in on that for a second.

Essentially we retained some alternative assets that had been held in the Iowa Company that we sold. That led to us having a slightly increased allocation to alternatives. It's very much within our risk tolerances and it's not an overexposure or anything. We are going to manage down, we are just going to manage into it over time. We view it as more or less an acceleration of production of those kind of assets for our portfolio.

So that will have a positive yield impact assuming they perform well. But it also had an RBC impact that basically offset the income. So net-net there was no capital generation in total because of the offset of the proceeds and repurchases, the income and the RBC. The only other piece to keep in mind is that we printed about 550 of excess at the end of first quarter.

As you will recall in the commentary, we said that there were some timing differences in excess liquidity and we really guided everyone to thinking about our excess capital as being about 700. So, we started the quarter at 700, we ended at 700. There were offsetting numbers that got us there.

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

Okay, very helpful. Just one additional one on capital as well. Just the NAIC changes; you mentioned the 35 point impact. Should we expect your target level to graduate down by the same amount, roughly 35, to tell you're kind of thinking about your target level post NAIC changes?

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

I think we are in discussions with our various rating agencies as to how they are viewing it. This is still early in the game. We are also watching to see what our peers and industry do.

As I think I have said before, our ability to refill our capital bucket, if you will, is only improved by having lower tax rate, and this is as much an industry perspective as it is a Voya perspective. And so, if you leave targets the same and you apply the math of the new factors adjusted for tax reform, that would actually imply an increase in the dollar amount of capital the industry holds, which I think is certainly counterintuitive when we've only got a better situation.

So, I think we are watching to see what happens, we will continue to talk with the rating agencies, and we will have more to come as that situation evolves.

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

That's great. Thanks for the color.

Operator

Ryan Krueger, KBW.

Ryan Krueger ***Keefe, Buyette & Woods - Analyst***

Hi, thanks, good morning. I was hoping you could provide some additional color on how to think about the Investment Management margins going forward after the full impact of the annuity transaction, as well as the trajectory going forward over the next few quarters.

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

Good morning, Ryan. Christine will take that.

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

Yes, good morning, Ryan. So in thinking about the impact on earnings and margin for Investment Management, we had one month of revenue impact as a result of the Annuities sale. So, that was approximately $3 million. So, when you think on a full quarter basis what's the revenue impact associated with that sale, think $9 million.

So, on a pro forma basis, if we had factored in that impact, think about the Investment Management operating margin, think of it as 28%. Due to the strong organic growth in a pipeline, we see getting back on track in the months ahead.

Ryan Krueger ***Keefe, Buyette & Woods - Analyst***

You had previously talked about a target of 33 to 35. This probably sets you back some on that, but is that still the ultimate target over at least a period of a couple years?

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

In terms of the overall target, certainly in the context of industry trends, fee compression, whatever happens to equity valuations given the volatility we see, it's difficult to say specifically what our longer run margin will be today. We certainly will be coming out with more information later.

But certainly, just in thinking in the context of what we do do in terms of specialty asset classes, our scalable fixed income business, assume that we are going to continue to improve the margin and to compete very effectively relative to competitors just given what our mix of business is.

Ryan Krueger ***Keefe, Buyette & Woods - Analyst***

Okay thanks. And then one on Retirement. You talked about full service having higher-margins than stable value. Could you give us any sense of magnitude between new business margin you are seeing on full service versus either stable value or tax-exempt?

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

Charlie?

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

Sure. When you think of stable value, that's really one investment option inside of a retirement plan lineup. So if it's one single option, typically might get 5% to maybe high 10% or 15% of the allocation of the plan. You compare that to the full-service business which has the record-keeping, the administration, the other investment options, and assume there is probably an average of 20 investment options in a plan. So you've got a much fuller and richer service offering in the full-service with all the advisory services and things we have.

So, we do talk about not all flows are created equal in terms of contribution to earnings. And I guess I would kind of guide that the full-service tax-exempt and corporate business really is the most significant and largest driver of our overall revenues. And stable value is an important component of what we do because we participate both in the Investment Management as well as in the wrap side. And it's an important part, but it's just very different relative to the full-service.

Ryan Krueger ***Keefe, Buyette & Woods - Analyst***

Okay, thank you.

Operator

Suneet Kamath, Citi.

Suneet Kamath ***Citigroup - Analyst***

Thanks, just a question on the expense reduction post the Annuities sale. Mike, should we expect that to be sort of even over the next several quarters as we move through the second quarter of next year? Or is there any lumpiness that we should be aware of?

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

Suneet, thanks for the question. I think it will increase over time. I don't know that I have got any specific lumpiness to point you to. I think it will continue to accelerate. So if you think about our corporate guidance for third quarter, we've taken that down about $5 million, the midpoint of the range, moved from 70 to 65. I think you should think of that as the savings that we are going to bring into the third quarter; if you annualize that that's $20 million.

So, we are well on our way. I think that pace will continue to grow. I don't think it's going to come in any big one chunk. It's going to come sort of ratably. So, if you do it on a slightly increasing scale that's probably pretty good.

Suneet Kamath ***Citigroup - Analyst***

Okay. And then I get that you are going to give us more detail on the Life strategic review. But just given the amount of expenses that you guys have taken out over the past couple years post annuities, and then there was another expense program before that. To the extent that you exit Life, I mean is there still significant expense reduction to offset what would be the operating earnings dilution?

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

Suneet, it's Rod. First on the Life piece, the team that focused on the executing of the Apollo/Athene transaction in the five months is now focused on a thorough review of Life. We have made no decisions on the strategic options there and you will hear that from us when we do.

I think we've demonstrated, as you just pointed out, strong muscle in our ability to approach expenses in all of our businesses and functions. And that's going to be reflected in our guidance that Mike and I have talked about in our prepared remarks that $110 million to $130 million will be accomplished by the second quarter of 2019. And we are going to continue to challenge the organization to accelerate that.

So, I have a lot of confidence in our ability to do so and impart some of the new tools that we and others are employing, like robotics and automation, by way of example. So, stay tuned, more to come, but we are making very good progress on that front.

Suneet Kamath ***Citigroup - Analyst***

Understood. Okay, thanks.

Operator

Humphrey Lee, Dowling & Partners.

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

Good morning and thank you for taking my questions. Just a question related to your Investment Management business. Obviously there was some pressure on the asset managers yesterday, including yourself, following the Fidelity announcement of no fee ETFs. Can you sort of size your retail exposure that could be at risk, like your core equity or investment grade fixed income strategies within your retail AUM? And then also can you size the level of retail product that is essentially VITs?

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

Yes, in terms of what percentage our index funds of our overall assets under management, it's $18 billion in index assets. So, think about that just below 9% of total assets, and this is approximately 28% of our retail assets. That being said, the index assets that we manage are almost exclusively for our business partners. So think about mutual funds embedded inside of insurance contracts of what we call variable portfolios.

So again, in terms of pure retail index funds, we don't manage any of those. It is not at all core to our strategy. The revenue impact of managing those overall index funds is de minimis in terms of Investment Management revenues. And so, again, what's our value proposition? It really is not that; that is not where we are playing.

These types of things don't rattle us at all or come unexpected. Again, we are competing in our specialized strategies that you can't replicate. We have had 10 quarters, consecutive quarters of positive Investment Management sourced cash flow. So again, good momentum, strong product capability, and it is not going to impact us in a material way.

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

Humphrey, it's Rod. Let me just add to that; it's a terrific question. But in no way does it change our thinking around hitting our current EPS targets or our growth prospects for 2019 and beyond, underscoring the point that Christine just made.

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

Great, that's very good color. I guess maybe shifting gears to Employee Benefits, it looks like your Voluntary business continues to have extremely strong results from both top-line growth and underlying -- underwriting results. Where are you seeing success in the line and how sustainable are the recent results in the voluntary benefit line?

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

I am going to have Rob comment. Let me just make one general comment. Thank you for noticing that. We did provide some additional disclosure in this stat supplement. Mike and I have commented previously we think our Employee Benefits business is one of the underappreciated values in our overall value proposition. And we are trying to provide more disclosure so people can both see that and value it in the same way we do. And with that I am going to let Rob answer the question.

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

All right, great. Thanks, Rod. And Humphrey, appreciate the question. Certainly the disclosures all look to reinforce what Rod said; there is a lot of good things happening in that segment of the business. When you look at our EB business, we are very clearly focused on VB as a core segment of it. And for us strong distribution, we've got good product mix, we've got good partnership to execute that from a technology standpoint. It's a business where you have got to execute the service really well and do it consistently.

So for us, we've grown and over the last few years 30% plus growth from a sales perspective. The book of business, as you can see, is close to 20% growth. We feel like we've got the right foundation as we grow. We certainly expect to continue to grow, but maybe not at that fast a rate given the book of the business has picked up. But as a business, as we look out over time, we certainly still expect it to be a double-digit grower for us, but maybe moderating a bit as the scale of it gets bigger.

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

Got it. Thank you.

Operator

Erik Bass, Autonomous Research.

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

Hi, thank you. I was hoping you could provide some more color on the Retirement flows. I think it sounds, from your comments, like most of the growth is coming from increased recurring deposits. I was also hoping to just get your outlook for transfer deposits in the new business pipeline.

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

Yes, thank you and good morning. So as you pointed out, our net flows were significantly impacted by our sub-advised stable value business. But the real growth has been in our full-service tax-exempt and corporate business where we have seen some really strong performance.

If you look at our net flows, they can be lumpy from quarter to quarter, but on a trailing 12-month basis through the second quarter, our full-service net flows have been roughly about $1 billion. So very, very strong.

And I think Rod and Mike had mentioned our 19 quarters in a row in the small mid really has in that 19 quarters delivered $7.5 billion over that time period in net flows in our small mid. And that is, as you point out, significantly impacted by our recurring deposits with the recurring deposits being up significantly.

And I think what's happening there is you are just seeing the compounded growth of the business, the investments in our distribution, the investments in our digital that's driving increased savings rates which drives increased recurring contribution. Single deposits, yes, I think in quarter we did see a reduction in single deposits. But that was really driven by the ratio of kind of new plans versus takeover plans that we have seen relative to some historical ratios.

So in total it's a good thing because you look at economically in our economy and you see a lot of new plan 401(k) growth, which will bode well for us in recurring deposits in the future. And also we've seen a little bit of a step back in terms of the market number of plans changing providers. And while that is impacting some single deposits, it's helping us in the plan retention.

So our plans retention is up; we've lost 13% fewer plans in the first half of this year versus last year. So, we are really seeing stronger retention which is driving recurring deposits as well. So, when you kind of bring all these things together, yes, strong recurring deposits results that we think we have had, the ratio of new plans to takeover plans is impacting the single transfers that we have as there is fewer plans changing providers, it's helping us on the retention side.

And I think it's going to be a challenge to hit the full-year deposit goal that we have, but we haven't given up on that. Because that is mostly going to be contributed by the single deposits and there's still the last half of the year or two we continue to drive at that. And we are just very pleased with our team progress and the results of the investments in distribution and digital.

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

And all of that has led to the record earnings that we had in the quarter in Retirement.

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

Great, well thank you for the color there. And just one follow-up on Stable Value. I'm just curious about the outflow drivers there. Is it just that you are seeing more price competition in this market or is it anything else that's driving that?

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

Hi, it's Christine. I'm going to go ahead and answer that, because really when you think about the stable value drivers that we show, it comes across as affiliate sourced net cash flows as negative. And not the wrap portion of Charlie's business. So what is driving that? A couple of things.

When you think about it is in no way, shape or form performance related. Our fixed income strategies are top decile performing strategies. But rather what it is, it is as competitors are facing fee margins and as clients, right after the crisis, really valued what they called multi-manager multi-wrap programs, the longer we get away from the crisis they don't remember the return dispersion and protection they were looking for in that. And so, as a result the managers that manage these programs are bringing it in-house.

So again that's the reason for the flows. We do have some forecasts for continued outflows in the remainder of the year. But again, it is not a systemic issue in any way, shape or form related to performance.

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

And just to add on that to reinforce the point that where you see maybe on our Stable Value the AUM outflow in Retirement is, just to reinforce the point, that a large portion of that we are retaining the wrap and that revenue from that wrap. And it's a significant portion of the revenue, and so I think that is kind of hence, while you are not seeing any material change in Retirement earnings and, in fact, we are continuing to have the record earnings and strong ROC growth, as Rod pointed out.

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

Great, thank you for the color.

Operator

Josh Shanker, Deutsche Bank.

Josh Shanker ***Deutsche Bank - Analyst***

Yes, thank you for taking my question. I was interested in the $500 million planned for the back half of the year. Can we talk about the various constraints and various generation capabilities? Why $500 million, why can't it be more? And when thinking about 2019 capital return, how should we think about what guides that?

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

Thanks, Josh, this is Mike. Look, I think as we look ahead over the next couple quarters and we look back over what we have done over the previous 12 months, by the end of the year we will have repurchased $1.5 billion basically all in 2018. We think that is a pretty robust return of value to shareholders, so we are pretty comfortable with that overall level.

As we go into 2019, we will see where we end up in the year. We are taking the proceeds, as we had said back in December, we are taking the proceeds from the Annuities business and applying that to share repurchase. When we go into 2019 we will have a good sense of how the year unfolded and a better view as to where we think we are going to be in overall 2019 in terms of deployment of capital to organic growth opportunities and so on. But I think we are pretty comfortable right now with the guidance we are giving on $500 million.

Josh Shanker ***Deutsche Bank - Analyst***

Is that a conservative number because you know that it's easy to achieve and you are waiting to get to the other side of 2018 before you figure out what the longer term plan is? I'm not complaining. It's a very robust return, but I want to know how you guys get to that number.

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

Well, I think the number comes directly from the proceeds we got from the annuities transaction, that's where it comes from. I think as we look more broadly at the 700 -- look, I think we are continuing to demonstrate a track record of being good stewards of shareholder capital. I think we will see how the year unfolds and make a decision at that point.

But the other thing I would point out is our authorization right now is for $500 million more, that is what we have left. As we go into the third quarter we will certainly be talking to our Board about what 2019 looks like.

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

Let me just add one further dimension. As we discussed, but I think worthy for the audience to hear again -- by the end of this year we will have repurchased $5 billion of shares since our IPO, which is nearly co-equal to our market cap in 2013. So we are very proud of that. Our shareholders have been very pleased with that outcome. And we will be updating you, as we said previously, at our Investor Day about our 2019, 2020 and 2021 plans and the sources and uses of capital associated with that. So we look forward to share more later.

Josh Shanker ***Deutsche Bank - Analyst***

Okay, thank you very much.

Operator

Tom Gallagher, Evercore.

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

Good morning. Just to follow up on the capital deployment question. Now that you are out of, or have completed the variable annuity closed block transaction, is there kind of an enterprise change in the amount of HoldCo cash capital buffer? Because that obviously was your biggest tail risk. I would assume on an enterprise basis you could probably run with less excess or buffer, whatever you want to call it. Any thoughts on that point?

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

Tom, this is Mike. The liquidity target has been reduced over the last 12 months from what was originally 24 months of liquidity at the holdco to 12 months. At this point I think we view 12 months as being right in the middle of where our peers are and very much aligned with the risk profile we see.

In really robust economic times it will probably prove to be a little more than we need, but if things get a little more difficult it certainly seems like the right buffer to us. So we are pretty comfortable with the 12 months.

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

That makes sense. And then just a follow-up question on the Individual Life review, broader question there. Can you remind me what's really the driver behind the review of the Life business? And really what I mean by that is can you talk to like what is the potential opportunity here? Is it improving free cash flow, ROE, all the above?

And is there, based on the pricing indications (I presume you are getting some indications), is it still possible you will end up doing nothing here? Or is there a pretty good chance you end up doing something whether its reinsurance or a sale?

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

Tom, let me start and Carolyn and I can toggle on this. But in an absolute abundance of transparency, we mentioned in December when we announced the Venerable transaction, the Apollo/Athene transaction that we were needing to separate the legal entity -- the annuity business and the Life business that was co-managed by Carolyn, like many other companies have done. So that activity had to come apart.

It seemed like a very appropriate point to step back and say how does Life fit into our overall strategy, particularly as we are going into the third phase of Voya in our 2019, 2020 and 2021 plan. And that is exactly what we are doing. So, any conclusion that a sale or a reinsurance transaction, or frankly continuing to do the business or running it as a closed book or another reinsurance block, all of those are on the table.

And we just want that to be factored in and reflect our continued management of that capital every bit as seriously as we manage the ongoing businesses, the other ongoing businesses and in just the same way that we managed the closed block and the variable annuity business previously.

So unless and until you hear something from us differently those options are on the table. We're working really hard. Carolyn did a phenomenal job leading the team in the closing of that Annuities transaction in five months. And I know you didn't ask, but I'm going to remind the audience that we also don't have any long-term care exposure. So the outcome of both that and the closing of that transaction, we think we are just terrifically positioned as we go forward.

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

Okay, thanks.

Operator

John Barnidge, Sandler O'Neill.

John Barnidge ***Sandler O'Neill - Analyst***

Thank you. Are there any areas of Retirement or Investment Management either from a product or distribution angle that you would want to enter either organically, through partnership or M&A?

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

This is Rod. Let me start and I will let Charlie and Christine jump in. First on our retirement platform, one of the things that I think we are most proud of and excited about and is leading to the record earnings performance that we have is we are in a number of markets. We are in the Small/Mid market with 19 consecutive quarters, the large corporate, the record keeping, the tax-exempt, K-12, Higher Ed and the government market.

So all of those markets have different characteristics, they grow differently and we think that serves us and our very diverse customer base well as we go forward. We've certainly talked about, particularly post the completion of the transaction with the closed block, a willingness to consider adding another block of retirement business to our retirement business should that present itself.

It would have to be financially the right thing to do for our shareholders, but we would look at that. And we further have talked about the extension of our terrific performance with Investment Management by way of example in adding some international distribution. But let me pause there and see if there is any further questions.

John Barnidge ***Sandler O'Neill - Analyst***

There was improvement in the loss ratios in Employee Benefits in 1Q 2018, but this reversed in 2Q 2018. Am I correct that first quarters are thought to be the high-water mark of the year or what is the driver? Thank you.

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

Yes, this is Rob. I will touch on the pattern there a bit. As we talked about last quarter, certainly within the Group Life business you expect that to be the peak from a loss ratio. We actually had really good results relative to what you would have expected. So we had the good of that and then in second quarter a little bit of that reversed. But that was mostly isolated in April, so you can look at it as a bit of a timing perspective.

As you think about the six months in total, we are just slightly above the 80% -- sort of the high-end of our range. If you look back over a 12-month period of time, we are solidly in our range. We just think it's fluctuation. We certainly took a hard look at it but it's not anything we are concerned about over a period of time. We expect third-quarter to settle back in.

That is really where you've got the seasonality from a Stop Loss perspective. While above our range, as we said and Mike reiterated in his comments, we feel good about the trajectory of that and what we are seeing evolve over the first part of the year and how that will play out over the rest of the year.

John Barnidge ***Sandler O'Neill - Analyst***

Great, thanks for the answers.

Operator

Andrew Kligerman, Credit Suisse.

Andrew Kligerman ***Credit Suisse - Analyst***

Thanks a lot. Just following up on that underwriting question, you indicated that confidence that you will get into the 77% to 80% range in Stop Loss benefits ratio. It's bounced around from low 70s to the mid-80s. So, I'd like to get a little color on: one, why you are confident you can get into that range; and two, what you are seeing in pricing of that product area.

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

Yes, thanks, Andrew. I think the place I will start is it's still Stop Loss, so yes there is going to be volatility. We are taking exposure and risk around sort of low frequency but high severity events, so you are going to get noise. But again, what we've had the opportunity to do to the pricing -- what we saw from a renewal perspective at 1/1, double in what we've done historically, we feel good about that obviously directionally.

From a new business perspective, again I think we talked about this on last quarter's call, we were very disciplined in the volume of new business we wrote. So we wanted to take a harder line towards the mix of renewal/new business coming on. Obviously, inevitably you are in a competitive situation there and you may get squeezed by a point or 2 and that's not unusual and then make it up on renewal.

We wanted to balance those factors out. And then as we see another six months of experience from what we wrote new, what we renewed, and then what didn't renew is what really drives that confidence around getting into range. And then I will come back to it -- it's still Stop Loss, there is going to be volatility, but we like the fundamentals of what we are seeing.

Operator

Alex Scott, Goldman Sachs.

Alex Scott ***Goldman Sachs - Analyst***

Hi, good morning. The question I had was just around the illiquid assets that I think you had mentioned would come later following the closing of the Venerable transaction. Can you provide any update on when you would expect to receive those assets?

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

Thanks for the question, Alex. I think the way to think about it is over the next three quarters we will see about half of the remaining illiquid assets, so think of that as about $300 million will emerge. That comes in the form of some seed capital and some other sources.

And then more broadly, the balance of the difference between the proceeds and the 1.1 and the $300 million, another $300 million would be something you will see come out over the next four years or so in relatively equal chunks.

Alex Scott ***Goldman Sachs - Analyst***

Okay great, thanks. And then the follow-up I had was just around statutory capital backing the Life Insurance business. Could you help us think about in aggregate, how much of that capital would be behind the Life segment, the way we kind of think about it on a GAAP basis anyway? And then if you could help us at all with like where it sort of lies in terms of like legal entities and how I should think about that?

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

Yes, good morning, this is Carolyn Johnson. We don't disclose the stat capital behind the Life business. I will say the majority of the Life business though, from that basis, is in our Security Life of Denver statutory company.

Alex Scott ***Goldman Sachs - Analyst***

Okay. Thanks for the answers.

Operator

John Nadel, UBS.

John Nadel ***UBS - Analyst***

Hey, thanks, good morning. So Mike, I want to go through the capital one more time. I'm sorry. The $700 million of excess give or take at the end of 2Q, is that already inclusive of the $500 million of proceeds? I assume it is.

And so, if we are going to spend in the back half of the year $500 million on buybacks and $300 million on debt reduction, and you have also got some NAIC formula impact to take, how do we think about what free cash flow or excess -- I should say really excess capital, what should excess capital look like by the end of the year given the puts and takes?

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

Thanks, John. And you guys have a lot to digest today, so no need for apologies. So look, we start at $700 million. That includes the $500 million-ish of proceeds from the annuities transaction, so that is in there.

In terms of debt repurchase, I think that would likely happen in conjunction with some sort of subordinated offering, either a hybrid or preferred stock. So don't view that as a use of excess. We are trying to manage the leverage ratio there. We don't think we are going to have to do that if conditions don't allow, but I think we are feeling pretty good about where we are there.

And then as I mentioned earlier, on the RBC I think we need to wait and see. The impact, if you just apply the numbers and stay at 425 as north of $300 million, as I said, I don't view that as a real need for -- no economic need for us to hold more capital. So, as we work through our discussions with the agencies I'm not overly concerned about that right now.

So, I think -- think of it in terms of $700 million minus the $500 million, plus whatever we generate during the quarter, that'll be --. And then obviously timing and things drive our ability to use the cash to buy back shares.

John Nadel ***UBS - Analyst***

Got you. And then a housekeeping just on the expense initiatives. Can you just remind us where you guys are on a run rate coming out of the second quarter of 2018?

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

Yes, if you think about the $5 million decrease in corporate guidance, think of that as annualized to $20 million. That is where we are in terms of making progress towards the $110 million, $130 million.

John Nadel ***UBS - Analyst***

Got it. And then last one for me, just thinking about the tax rate being a bit lower than your original outlook, it sounds like the driver there is really the relative impact of the DRD. Maybe I have got that wrong. But if that is right, is there any reason why that shouldn't continue to have that kind of an impact into 2019 at this now somewhat lower level?

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

Well, things can change, John. But largely our view is that that guidance we are giving of 16% to 19% is pretty much where we are going to be for a while. It's wide enough to accommodate a little volatility, but I think the midpoint over the long-term is where we think we are going to be.

John Nadel ***UBS - Analyst***

Perfect. Thank you so much.

Operator

Thank you. With that I will turn the floor back over to management for any additional or closing remarks.

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

In summary, during the second quarter we continued to position Voya for future success. We closed a transformational transaction at the same time each of our businesses continue to execute on our strategies to drive profitable growth. Our earnings are tracking to target. We are committed to operational excellence. Our capital position remains strong and we look forward to updating you on our progress as we advance on our journey to help Americans plan, invest and protect their savings. Thank you and good day.

Operator

Thank you. This does conclude today's conference call. You may now disconnect.