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Q4 2018 Voya Financial Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 06, 2019 / 3:00PM GMT



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PRESENTATION

Operator

Good morning, and welcome to the Voya Financial Fourth 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. Thank you. Please go ahead.

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

Thank you, and good morning. Welcome to Voya Financial's Fourth Quarter Earnings Call. We appreciate all of you have joined us for this call. As a reminder, 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. I refer you to this slide for more information. We will also be referring today to certain non-GAAP financial measures. GAAP reconciliations are available 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 the 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.

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

Good morning. Let's begin on Slide 4 with some key themes. 2018 was a pivotal year for Voya, with the combination of purposeful decisions made over the last 5 years that reduced risk and strengthened our company. The Annuities transaction we completed last year further advanced our transformation. Today, we are simpler, more efficient organization with high growth, high return, capital-light businesses.

Our proven track record is clear from achieving growth across our businesses to managing costs and delivering savings to driving shareholder value through prudent capital management. These actions have led to significant earnings growth in 2018. Our normalized adjusted operating EPS for the full year 2018 was \$4.88 versus \$2.67 per share in 2017, while our Pre-tax Adjusted Operating Earnings grew 34% year-over-year.



Today, we are reaffirming our confidence in achieving our goal of annual EPS growth of at least 10% in each of the next 3 years. This growth will be achieved from the \$4.88 per share I just mentioned. We understand we set the bar high, and we're not shying away from our target. We're confident in our ability to continue to grow due in part to the continued positive momentum across our businesses and the strong organic growth we achieved in 2018.

For Retirement, we achieved record full year Adjusted Operating Earnings and grew Full Service recurring deposits for 2018 by 10% compared with 2017.

In Investment Management, we generated more than \$3 billion of institutional net flows in 2018, and the fourth quarter marked our 12th consecutive quarter of positive institutional net flows.

In Employee Benefits, we delivered record full year earnings and grew Voluntary benefit sales by 34% year-over-year.

In addition to our organic growth, we remain on track to achieve the \$230 million to \$250 million in annual run rate cost savings by the end of 2020.

We also continue to maintain a strong capital position with approximately \$871 million of excess capital. As Mike Smith will discuss in greater detail, this reflects excess capital above our new target RBC ratio of 400%.

We repurchased \$275 million of shares during the fourth quarter and delivered on our plan to repurchase \$1.5 billion of our shares in 2018.

Additionally, we entered into an accelerated share repurchase agreement to buy back \$250 million of our shares this quarter. Since our IPO in 2013, we have repurchased 46% of our outstanding shares and returned more than \$5 billion to shareholders in the form of share repurchases. At these valuation levels, we remain committed to share repurchases as a good use of shareholder capital.

Turning to Slide 5. We've the right mix of complementary businesses, and we're confident in the plans we shared with you at Investor Day. Our 3 high-growth, higher-return, capital-light businesses bring strong capabilities to our workplace and institutional customers. We're a top 5 Retirement solutions provider across all tax codes, plant sizes, and geographies, with a balance of both investment spread and fee-based revenues.

Investment Management has a diversified mix of strategies across the risk spectrum and offers attractive products that perform well, especially in times of market volatility.

Employee Benefits is a "must quote" provider for Stop Loss with a fast-growing Voluntary business. Employee Benefits and our Individual Life in-force block provide earnings and capital diversification with minimal correlation to equity markets.

Together, our businesses are finding greater opportunities to collaborate through cross-enterprise partnerships that will further support our future growth.

Turning to Slide 6. Building the character of our brand helps drive our success and supports our financial performance. Our culture and brand continue to differentiate us during 2018, earning us external recognition from numerous organizations and helping us win new business. Most recently, we were named a Best Place to Work by Pensions & Investment magazine for the fourth consecutive year. We also earned recognition on the 2019 Bloomberg Gender-Equality Index. This marks our third consecutive year in the index.

Our inclusive culture promotes diversity of thought, expertise and perspectives benefiting our businesses and our stakeholders.

Additionally, we have significantly grown our brand awareness, and we continue to be one of the most recognized brands associated with Retirement.

Also differentiating us with customers, employees and investors is our Voya Cares program. Voya Cares helps Americans with disabilities and their caregivers plan, invest and protect their financial future. We're proud of what we've accomplished so far, and we're committed to the work ahead.

Now Mike will provide more details on our performance for the quarter.

Michael Smith Voya Financial, Inc. - Chief Financial Officer

Thank you, Rod. On Slide 8, our fourth quarter operating results were driven by strong organic growth, progress towards cost-savings targets and share repurchases. We delivered normalized After-tax Adjusted Operating Earnings of \$1.40 per share in the fourth quarter and \$4.88 per share for the full year. On a reported basis, adjusted operating earnings were \$1.32 per share for the quarter and \$4.04 per share for the full year.

Our fourth quarter results included \$0.18 of unfavorable DAC unlocking. Combined prepayment and alternative income was \$0.10 above our long-term expectations. We also benefited from a lower effective tax rate. The effective tax rate in the fourth quarter was 12.2%, reflecting a one-time dividend received deduction benefit due to greater-than-expected dividends and short-term capital gains in 2018.

While the full year normalized result of \$4.88 per share is slightly above the estimate we shared at our Investor Day, we fully expect to grow EPS at least 10% from this level.

Moving to Slide 9. Retirement delivered \$183 million of Adjusted Operating Earnings in the fourth quarter, contributing to record full year earnings of \$702 million, excluding unlocking. Retirement's trailing 12-month Return on Capital grew to 14.1%, up from 10.3% in 2017. Full year results reflect higher fee income and investment spread than the prior year. Investment spread was helped by higher portfolio yields and lower crediting rates, reflecting guaranteed minimum interest rate actions we completed in 2018. We also benefited from lower DAC amortization as a result of those actions. During the quarter, we incurred \$13 million of unfavorable DAC unlocking, primarily from the impact of lower equity markets on future estimated gross profits. Retirement generated \$1.3 billion of positive Full Service net flows in the quarter. This was driven by strong flows in Full Service corporate markets, which now has had 21 consecutive quarters of net inflows. Overall, net flows this quarter exceeded our expectations due to improved retention, higher Full Service deposits, and the timing shift in a large Stable Value surrender that we now expect in the first quarter.

Total client assets were lower in the fourth quarter due to equity markets and a recordkeeping plan termination of approximately \$40 billion of plan assets, which we discussed on our third quarter call.

Looking ahead, we are encouraged by a strong pipeline of new sales across our Full Service businesses, which gives us confidence that we can achieve our Investor Day target of 10% to 12% recurring deposit growth in 2019.

On Slide 10. Investment Management delivered \$44 million of Adjusted Operating Earnings in the fourth quarter and \$205 million for the full year. Full year operating margin was 30.1%, including investment capital. We generated strong fee growth from higher institutional AUM year-over-year, and investment capital results were in line with long-term expectations. Investment Management drove \$694 million of institutional net inflows in the fourth quarter, the 12th consecutive quarter of positive net flows. For the full year, we had more than \$3 billion of institutional net inflows, representing organic growth of nearly 5%.

During the year, our diversified platform was key to growing assets, including our specialty investment capabilities, which led to significant commercial mortgage, private credit and private equity mandates. We continue to grow our core fixed income strategies, including our strategic income opportunity fund. That fund surpassed \$1 billion of assets this quarter, a key milestone that will expand the eligible investor base.

We also priced 5 CLOs during the year, including our first European CLO with the second one expected in the first half of 2019. The average fees on our inflows this quarter were lower than those of our outflows by 12 basis points. However, on a trailing 12-month basis, fees in our inflows were in line with our outflows. Looking ahead, we see a healthy sales pipeline for 2019. Our continued excellent

investment performance gives us confidence that we can achieve net flows as a percentage of beginning AUM of 2% to 4% in 2019.

Turning to Slide 11. Employee Benefits delivered \$43 million of Adjusted Operating Earnings in the fourth quarter and record full year earnings of \$161 million, excluding unlocking. Trailing 12-month Return on Capital improved to 28.2% from 24.4% in 2017. The total aggregate loss ratio finished the year within our target range of 71% to 74%. The loss ratio for Stop Loss remained in our target range for the second consecutive quarter. We continue to believe the pricing actions we took during the 2018 renewal cycle were successful. We expect Stop Loss in-force premium to grow at rates closer to historical levels in 2019, while still maintaining strong pricing discipline. This will support the overall 7% to 10% in-force premium growth target we shared with you at Investor Day.

Overall premiums grew 5% in 2018, driven by 21% growth in Voluntary.

In January, we launched our Voya Health Spending and Savings Account. While early days, we expect this to allow improved engagement with customers and will better position us to provide tailored financial wellness solutions. This is also a great example of how we are leveraging the strengths of our complementary businesses to drive improved customer financial outcome.

On Slide 12. Individual Life Adjusted Operating Earnings were \$64 million in the fourth quarter and \$248 million for the full year, excluding unlocking. Mortality results were in-line with expectations, while earnings were helped by favorable investment spread on alternative assets.

During the quarter, we had a \$21 million unfavorable DAC unlock, primarily reflecting a further adjustment to our recent assumption updates for higher expected cost of reinsurance.

As you may recall, last quarter, we announced we would cease new business at the end of 2018, which we did. That said, given the number of new business applications received through year-end, we expect meaningful reported sales in the first quarter. Looking ahead, we expect annual net underwriting gain net of intangibles of \$160 million plus or minus \$20 million for 2019. This is lower than our 2018 expectation, primarily due to higher reinsurance costs. We still expect no meaningful reduction of Individual Life earnings in 2019 as cost savings are expected to offset the reduction in expected underwriting gains.

On Slide 13, we provide additional items to consider for the first quarter of 2019. In the first quarter, share repurchases will have a positive impact on EPS. As highlighted earlier, we have already entered into an accelerated share repurchase program in the first quarter to repurchase \$250 million of shares. Offsetting repurchases, we highlight 3 factors to consider. First, seasonally higher admin expenses, primarily due to payroll taxes that restart with the calendar year, partially offset by Individual Life cost savings. Second, a one-time dividend received deduction benefit that lowered our effective tax rate in the fourth quarter, but not expected to recur at the same levels in the first quarter. And third, lower Individual Life net underwriting results as discussed earlier. While we have provided some items to consider, there will, of course, be other factors that affect first quarter results.

On Slide 14. Our capital position continues to be strong. Our estimated RBC ratio was 479% at the end of December. Our RBC ratio includes the impact of the industry-wide changes to the RBC formula from lower corporate tax rates. We have revised our RBC target to 400%, down from 425%. The lower target reflects what we consider to be a prudent capital level in light of our substantially reduced tail risk as a result of the Annuities transaction and our strong free cash flow generation. Our excess capital increased to \$871 million at the end of the fourth quarter as corporate tax rate changes to the RBC formula and share repurchases were more than offset by the revised RBC target and a refinement to our capital model in Retirement.

Additionally, our year-end debt-to-capital ratio was 26.6%, well below our 30% target.

As Rod mentioned, we repurchased \$275 million of shares in the fourth quarter. This was above the \$250 million of shares we anticipated last quarter as we took advantage of attractive share price levels. In total, we repurchased over \$1.5 billion of shares for full year 2018.

Finally, as previously mentioned, we are in the market with a \$250 million accelerated share repurchase program launched in early

January.

On Slide 15. We provide additional detail on our investment portfolio holdings to highlight the confidence we have in managing these assets. Our investment portfolio is high quality with the vast majority of our holdings composed of investment-grade assets rated NAIC 1 or 2. Our NAIC 3 to 6, below investment-grade, exposures represent only 5% of our portfolio. As you can see on the slide, our NAIC 3 to 6 holdings are diversified across over 300 issuers and a range of industries. Our public corporate debt exposure is balanced by other fixed income assets.

The investment portfolio is overseen by an experienced team, actively selecting and managing assets to optimize risk-adjusted returns, while subject to strictly defined internal risk limits.

Turning to Slide 16. Here we provide our annual update of the net present value of projected cash tax savings from our deferred tax assets. As you can see, our deferred tax assets remain a significant source of value for Voya with a net present value of \$1.3 billion as of year-end 2018. This is slightly higher than our Investor Day estimate due to additional loss carry-forwards related to the Annuities transaction. We expect to use the majority of our DTA within the next 5 years. During this period, we also expect to receive a refund of our alternative minimum tax credits. This should result in Voya paying essentially no net cash taxes for the next 5 to 7 years.

Turning to Slide 17. We continue to believe our shares trade at an attractive valuation. As depicted on the slide, if we adjust the value of our deferred tax assets into Voya's share price on February 1, Voya trades at approximately 7x 2019 consensus earnings. You can also see Voya is trading at a price to earnings multiple below where we traded prior to the sale of our Annuities business. We believe this offers an attractive opportunity for investors given our complementary high-growth, high-return, capital-light businesses, our high free cash flow generation and the growth opportunities ahead of us, which we shared in detail with you at our Investor Day.

In summary, we delivered strong earnings growth in 2018. We continue to expect at least 10% normalized EPS growth in 2019, and our capital position and balance sheet remained 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) Our first question is coming from the line of Nigel Dally with Morgan Stanley.

Nigel Dally Morgan Stanley - Analyst

I had a question on the retail outflows in Investment Management. We saw some meaningful acceleration this quarter. So hoping to get some color as to what drove those outflows and given the market rebound, are you seeing some improvement in January?

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

Nigel, it's Rod. Christine will take the first part of the question.

Christine Hartsellers Voya Financial, Inc. - CEO of Investment Management

Yes. Thank you, Nigel. As far as retail outflows in the fourth quarter, like many investment managers in the context of what was happening in the markets, we did see an escalation in outflows really related to the volatility and the risk-off sentiment that we saw. So think about we have a very fine-performing senior bank loan floating rate funds, but in bank loans and some of our equity strategies, we did see outflows. And I think, when you think about our retail flows, so number one, I would say, that was episodic in relation to market volatility. And so as you ask, we are seeing a rebound in the first quarter in terms of flows and performance. And behind that, a little bit mask to some real success in our fixed income retail sales. So we were top decile in fixed income retail net inflows for the year. So think that we're gaining market share due to our really strong performance as well as we have a strategic income fund. So think Unconstrained



Bond, that's a top decile performer that hit the \$1 billion mark in the fourth quarter. And that's a really important threshold because once you get to that size, many of the larger wealth management firms will add you to their product lineup. So overall, a volatile fourth quarter, a good momentum going into the year.

Nigel Dally *Morgan Stanley - Analyst*

That's very helpful. We also just had a second question on alternative income run ahead for the fourth quarter, which I think was a bit surprising, but we've got the delay in reporting. Given that delay, should we expect pressure now to be a factor to consider remodeling the first quarter results? It wasn't on the list of factors to consider, so should we be reading anything into that or any color there would be great?

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

Nigel, this is Mike. I'll take that question. It's too early for us to have any good read on where we're going to come out for first quarter on alternatives. That said, you're correct, we do report these generally on a quarter-lag basis. So the pressure in the market could have some read-through into the performance of our alternatives. It's unclear to what degree or whether that will be certainly below our long-term expectation of 9%. So we'll have more information over the next few weeks, but generally, you shouldn't think of these as one-to-one with S&P 500, as they definitely have a different nature. But I do think, it's fair to think there could be some pressure.

Operator

Our next questions are from the line of Ryan Krueger with KBW.

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

I had a couple of question on Retirement flows. I guess, one, could you say how big the Stable Value outflow you expect in 1Q '19? And then I'd a follow-up.

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

Sure. The Stable Value flow that we expected in the fourth quarter is roughly about \$500 million that will occur, we believe, in the first quarter now. And again, I'd remind you that, that's some of our sub-advised business, but we're still retaining the wrap. And so only a portion of that revenue is going to change there.

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

And then, I was hoping you could just talk more generally about how the pipeline looks in Retirement as you've entered 2019? And then, secondly, in Q1, a pretty large New York City record-keeping plans, so was hoping you could comment on that and if there would be much of an earnings impact from that when it closes?

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

Sure. First, I'll take the kind of the general outlook part of the question. We do expect some very healthy flows in our higher-margin Full Service business. And that's going to be driven in large part by our recurring deposit growth. As we set out the guidance of 10% to 12% growth in our recurring deposits in Full Service, we certainly were there in 2018 and we feel very good about our position as we go forward. And that's, I think, underpinned by some of the strong sales. The second thing driving, I think, our good feelings relative going into 2019 is also our strong sales. If I took our Tax-exempt business, you probably saw in the fourth quarter, a very strong fourth quarter in our Tax-exempt sales. That was actually our best quarter in the last 10 years. And we've done some great work, our team's doing a wonderful job there. But we've also got, as we look forward, kind of continuing to build on our 21 quarters in a row of net positive flow in our Small/Mid Corporate. Now you may recall in the first half of last year, we saw fewer small 401(k) plans change providers and that impacted a little bit of our single wire transfers. We more than made up for that. We did a good job, I think, in the second half of the year with our team, and we haven't seen that tail off as we kind of go into 2019. So we've got some really good momentum there. And then, finally, I think, underpinning all that is also our good retention that we have. So that just kind of gives you a flavor, I think, overall why we remain confident on hitting our recurring deposit targets and just kind of the general sales momentum in our markets there. Now relative to your second question around the New York City win, we're really, really pleased about that particular win. I think, it's a nice plan with 200,000-plus participants, over \$20 billion in assets. But we've actually had a number of wins in our Corporate and our Tax-exempt recordkeeping business. Some that have hit and some that we will be implementing in later this year and into early 2020. So we're really



thrilled about how our value proposition is resonating in the market, and, in particular, how our team in both the Corporate and Tax-exempt is executing and communicating that. I think, it's really reinforced by a lot of the great work that's been done with our brand. So as we implement the wins in our recordkeeping business in 2019 and then 2020, I think you'll start to see that certainly more than replace that outflow -- the impacts of the outflow that we had in the fourth quarter and build upon the strong momentum we have in that recordkeeping business.

Operator

Our next questions are from the line of John Barnidge with Sandler O'Neill.

John Barnidge Sandler O'Neill + Partners - Analyst

Does the improvement in earnings in Employee Benefits appear sustainable as the commentary on Page 23 of the presentation suggests flat to maybe some degradation in the loss ratio?

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

Yes, I will jump in. This is Rob Grubka. From a sustainability and what we're seeing as we look forward as we laid out in Investor Day, we're viewing the results as good and moving and progressing in the way we expected throughout 2018 and as we get into 2019, the forward view to drive to the 7% to 10% growth, both top line and bottom line, we feel really good about the results that we're seeing. We've gotten a solid glimpse, obviously, at our 1/1 activity from a new sales and renewal perspective and Stop Loss, in particular, and remain very positive and focused on delivering the results.

John Barnidge Sandler O'Neill + Partners - Analyst

Great. My other question. I know we're only 5 weeks into the new year, but what's your expectation based on early results for a flu season this year for the business?

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

Yes. I'll resist predicting that outcome, but nothing that we're seeing at this stage forces us to think any differently than we would have otherwise.

Michael Smith Voya Financial, Inc. - Chief Financial Officer

Yes, just generally, and I think Rob was talking about Group Life. With respect to Individual Life and maybe broadly, John, it's just too early to have any sense. And we certainly monitor mortality regularly. We are aware every few weeks of where we're coming in, but there's nothing that I would want to try and point to say there's anything to learn from that.

Operator

Our next questions are from the line of Tom Gallagher with Evercore.

Tom Gallagher Evercore ISI - Analyst

First question is, I just want to level set where we're at on your expense save programs? I know that was the first \$110 million to \$130 million and then there's the second one \$100 million. Can you mark as to where you're at on either one of those in terms of what's in their current run rate and what's left?

Michael Smith Voya Financial, Inc. - Chief Financial Officer

Tom, this is Mike. In terms of the overall program, let's just set it together, the whole thing that we announced at Investor Day, when you add it all up, it's \$230 million to \$250 million and that's the 2 components you mentioned, plus \$20 million of cost saves that we expect to realize in the Individual Life business as a result of our decision to discontinue new sales. So we are making great progress. I would say, through the fourth quarter, we're a little bit north of \$100 million of cumulative saves. We have strong confidence in our ability to deliver the remainder of that goal, in particularly, the additional \$100 million. We've put together fairly explicit plans as to how we're going to achieve those across a wide range of initiatives, and we're in the midst of executing on those and feel very confident that we can get there by the end of 2020. As it relates to the Life business, we've already taken a number of actions and, I think, we've got a good line of sight to achieving that as well. So feeling very good about our ability to drive that through. The one thing I'd remind everyone of is that the cost saves will first be applied to the Corporate segment. The stranded cost as a result of the Annuities sale is currently housed in

Corporate, and so you should think of that as through the balance of 2019, cost saves will come through in Corporate. And then, if things go as we expect, then we should start to see the savings more directly reflected in some of the businesses.

Tom Gallagher Evercore ISI - Analyst

Got it, got it, Mike. So \$130 million to \$150 million left through, call it, the end of 2020. Is that fair way to think about it?

Michael Smith Voya Financial, Inc. - Chief Financial Officer

I think that's pretty close, yes.

Tom Gallagher Evercore ISI - Analyst

Okay. And then, in terms of the normalizing items into 1Q '19, it looks to me like you're normalizing the tax rate toward the low end of your 16% to 19%, if I do the puts and the takes. Is that directionally right?

Michael Smith Voya Financial, Inc. - Chief Financial Officer

Yes. We were still at 16% to 19% in terms of the overall guidance on ETR, but I think for '19, you should expect it to be in the low part of that range. If we think about the catch-up, essentially, there was a benefit for the entirety of 2018, in that DRD wound up being higher than we were accruing to over the course of the year. And so you'll also see, I think, just to help people connect the dots, while we attributed \$0.07 of benefit in the fourth quarter, we're guiding to only a \$0.05 adjustment for first quarter. So we're basically expecting that improved rate to persist, but on a quarterly basis, rather than all through 1 quarter.

Tom Gallagher Evercore ISI - Analyst

Got it. And just final one, if I could sneak it in. The outflows being 12 basis points higher in terms of revenue yield than the inflows in 4Q. I assume that was really just a comment on your retail business had higher fees. And so can we expect that trend to abate or do you think that's going to continue where you get some revenue yield pressure in terms of what you expect on flows in 2019?

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

Christine?

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

Yes, Tom, you're right. We did have the 12 basis point differential in the fourth quarter. But if you take a look back at the full year, our revenue yield has been stable. So inflows matching outflows. And if you actually take a look, I think, it's Page 22 in the investor supplement, you're going to see very stable revenue yields over time. So why did that happen and what's the view going forward? I mean, certainly, in the fourth quarter, as you saw, it was retail, it was some of our higher-margin products, like equity and bank loans. But as we move into the first part of the year, the beauty of our business is that we have a very diversified products set and very strong investment performance. And so certainly, you're going to see episodic volatility in credit, as an example, but we have high-quality products to capture assets in that volatile period. And so some of those higher-quality fixed income flows, higher quality, I think, safer risk offs is where we're going to garner those flows. They do have lower margins or basis points, obviously, in some of the other things, but they're highly scalable and still margin accretive. So again, confident given our specialty asset classes, given our pipeline, we're on a good trajectory at the beginning of the year and would chalk this up to, I mean, you're going to see pivots in asset mix quarter-to-quarter, but overall, we've proven we have very stable revenue yields.

Operator

Our next questions are from the line of Erik Bass with Autonomous Research.

Erik Bass Autonomous Research LLP - Analyst

I guess, first question on expenses. And just to say, if the revenue environment does become more challenging and, obviously, we've seen a nice rebound in the equity market year-to-date. But if it does become tougher, how much room do you have to further reduce costs to offset the impact on earnings?

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

Erik, it's Rod. I think if you look at Voya since the inception as being a public company, we have managed expenses fundamentally flat during that entire journey. We've really got 2 activities going on. Mike did a very nice job of summarizing the 3 components of what we announced at Investor Day, the \$110 million to \$130 million plus the \$20 million for Life and the additional \$100 million that'll happen by the end of 2020. But the 2 things that are happening is, we are reducing the expenses associated with the portfolio decisions that we made, and we are creating room in the business to invest in the businesses that are the ongoing businesses: Investment Management, Retirement, Employee Benefits. And I think that gives us reasonable latitude to manage this as we go forward, and I have a lot of confidence in our agility and precision around that focus as we push forward.

Erik Bass Autonomous Research LLP - Analyst

Appreciate the comment. And then in Retirement, you highlighted the strong growth trends. Can you talk a bit about the competitive environment as we've seen some big cases both coming and going? And I guess, is there a common denominator on the type of business that you're winning and where you stand out in the marketplace?

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

Sure, Charlie will take that.

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

So certainly the competitive dynamics, when you think about the competitiveness of the market and fee pressure, that's nothing new and we've been able to navigate through that, I think, with kind of our market of markets, as we refer to, in both our Corporate and Tax-exempt business. We look and we're obviously measuring our wins and our retention across all market segments, and we feel quite good about where we are in our Full Service business, both Corporate and Tax-exempt as well as with our recordkeeping business as I mentioned earlier in the call. So we've got some great momentum going on there. There is consolidation going on in the industry, just kind of organic consolidation. As, I think, Rod's mentioned, we've talked in previous calls, that the top 10 DC providers now have over 75% of DC assets. And we continue to compete and win a great share, both from the top 10 providers as well as non-top 10 providers. And if I think about and kind of what articulate some keys on our value proposition and why that's happening, it's both our digital and technology. I mean, we've made some great investments in the work that we've done on behavioral finance that are really driving improved savings rate and outcomes for individuals. We focused an awful lot on our ease of doing business with both advisers and plan sponsors and that's resonating in the market as well. So when you look across our business and the strength of it, just our ability to be able to kind of have the strong earnings growth that we've had as well as been able to manage our expenses during this growth time, while investing back in our business, has been key, and I think that's been recognized by a lot of our clients and prospective clients.

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

Erik, it's Rod. Just to build a little on what Charlie said, the momentum that we've enjoyed during 2018, particularly coming out of the portfolio, rebalancing decisions, built around our Retirement, Investment Management, Employee Benefits business. So think about workplace and institutional focus. Our consultant buy ratings and our pipelines are as robust as they've ever been. And that's part of what gives us confidence as we go into 2019, and I think the results that you are seeing in both Charlie's business, Christine's business and Rob's business.

Operator

Our next questions are from the line of Alex Scott with Goldman Sachs.

Alex Scott Goldman Sachs - Analyst

First question, I had was on, I guess, spreads in Retirement and just the net investment income yield looks like it is under as much pressure as maybe it has been related to just new money being below portfolio. So I was interested in any kind of update you can provide there. Anything you would say to help us think about how much pressure there is left from low rates or if we've sort of bottomed out there? And how that sort of interacts with some of the work you've done on GMIRs and how it kind of all funnels into spread and just thinking high level about spread compression done here and what kind of a drag that's been and will it be more of a tailwind going forward?



Michael Smith Voya Financial, Inc. - Chief Financial Officer

Alex, this is Mike. I'll take and certainly invite Charlie to weigh in. First, I think, from a new money standpoint, new money rates are somewhat below the portfolio yield, and we'll continue to be so unless we get probably 50 to 75 points on the treasury. That said, what I think you're seeing in Retirement is a couple of things. One is, we're certainly closer to the breakeven point than we've been for a long time and so that's a good thing. Second, with the effect of the venerable transaction resulted in a little bit of redistribution of some yield assets, and so you're seeing a little bit of that effect as well in the net investment income. And then finally, as you noted, we've created more room for ourselves on the crediting side through the actions we took on the guaranteed minimum interest rates. And that benefit will only continue to get better because there will be increasingly more account value in that lower guarantee and so that only helps over time. It doesn't fix the problem immediately because the existing account values in the old guarantees stay where they are, but the weighted crediting rate will continue to tick down and down and down, right? Altogether, we see several things happening. So in terms of the outlook going forward, the rate at which there's compression on spread will be certainly less than we've seen historically unless rates take a significant dive back to where they were. And at this point, that certainly seems counter to the prevailing wisdom, time will tell. But overall, we're feeling good about the things we've done. I think we're pleased with the trend, and it was a big contributor to the stability we saw on Retirement's earnings despite a pretty tough equity quarter.

Alex Scott Goldman Sachs - Analyst

All right. And then, second question I had was on excess capital. I was just interested if there's any sort of updated thoughts on whatever your evaluation is on the use of excess capital? And also I was wondering if you could update us on the extent to which, I guess, the \$300 million that I think you've mentioned in the past could come through from Venerable, whether that's come through and included in the excess capital number that you have for 4Q?

Michael Smith Voya Financial, Inc. - Chief Financial Officer

So there was lot there, Alex. Let me start with the second part first. I think you're referring to the release of the value of the Annuities business over the next several years. To a degree, that's reflected in the development of excess capital. In terms of uses of excess capital, you saw that we leaned in a bit last quarter in terms of our repurchase activity at \$275 million. I would characterize the ASR of \$250 million this quarter as leaning in a bit as well. And you'll continue to see us, as we have done since the beginning, focus on increasing shareholder value using all the tools available, including share repurchases. So we'll work our way through the existing authorization. At the end of the quarter, we'll be at a little under \$250 million. We'll examine our situation at that time. We'll examine our outlook for the future and how we're feeling about the macroeconomic environment, and we'll talk to our board about what additional authorization may be appropriate at that time. And we'll continue the way we have for the last 5 years.

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

And maybe just to build on that to drive the point home, it's a great question. As I mentioned in the opening remarks, we've repurchased 46% of our outstanding shares since we've been a public company, an amount in excess now of \$5 billion. And we continue to view share repurchase as a very effective use of excess capital. Stay tuned.

Operator

(Operator Instructions) The next questions are from the line of Andrew Kligerman with Crédit Suisse.

Andrew Kligerman Crédit Suisse AG - Analyst

First, just a little follow-up on the retail asset management given that the institutional was extremely strong. Could you -- the last slide of your presentation shows up to the 3-year performance. How has the performance been in the last year? Is it commensurate with the 3-year number at 44% or is it above average or is it lower? And with Affiliate net flows, they were out \$373 million net outflows. Where do you see that going in 2019?

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

Christine?



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

Okay. First of all, in talking about investment performance, through a lot of market volatility, we saw our investment performance overall held up very well. In fact, our active equity strategies in the fourth quarter outperformed either their peer or their benchmark, 86% of our active equity strategies. So we talked a lot about on our Investor Day high-quality bias, totally delivered on what clients expect into market volatility. On our fixed income numbers, it dipped down in the fourth quarter. But when you think about fixed income and credit, 77% of active fixed income managers underperformed the benchmark in the fourth quarter, and we outperformed that number and outperformed peers. So again, when you think about overall investment performance, we had a very well [performance] relative to what you're seeing on the slide. So optimistic there that investment performance was going to continue to translate into organic growth targets. As far as the Affiliate sourced net flows that you see, Charlie referenced this is Stable Value sub-advisory flows. And so again, as we talked about the flow, what we're seeing there is that when we were a manager in a multi-manager pool as a sub-adviser for a different asset manager, we've seen the trend where these asset managers are bringing those assets back in-house. Not a reflection of our investment performance whatsoever. And if you want what exactly is left in terms of sub-advised Stable Value flows, it's less than \$2 billion. And aside of that, we have \$40 billion between assets where we're the only Stable Value manager plus the fixed account option that Charlie has. So we're top 5 in Stable Value. So yes, we've had this persistent headwind of outflows in the sub-advised, Charlie referenced the \$0.5 billion in the first quarter. But laying that aside, we're seeing real strength that's getting a little hidden in that story. What do I mean by that? Target date flows, where our Retirement business is a very important distribution partner. We were top 10 in net cash flows in the industry in Target Dates in 2018. Our intermediate bonds funds are being picked up by over 60% of the plans in the mid- to small corporate markets. So we're seeing a lot of really good things happening. We're also launching a Tax-exempt Stable Value product in the first part of the year. We're going through state approvals at this point, but we're going to get out and start marketing that soon. So again, still going to see some Stable Value headwinds, I think, in the beginning of the year, but we've got a lot of good fundamental things going on that are going to strengthen those Affiliate sourced flows.

Andrew Kligerman *Crédit Suisse AG - Analyst*

Got it. And then, just the second question is on the Individual Life segment. So you had a \$13 million after-tax higher DAC/VOBA charge and it looks like you're going to have higher reinsurance rates. So the questions around that are, we had DAC charges around recapture in both the 3Qs of '18 and '17 and now we had a little one here in the fourth quarter. Do you feel like that's done? And are the DAC charges over? And are the rising reinsurance costs over as well?

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

Andrew, this is Mike. The short answer is, we don't see any future activity on the horizon as it relates to that. We cannot say with utter certainty that it won't come back, but the adjustment you saw in the fourth quarter, the \$21 million was in adjustment for treaty activity that occurred a few quarters ago, and we made an adjustment to the way we were modeling that and it came through in the fourth quarter. It's not a reflection of new discussions with reinsurers or anything of the sort. So I wouldn't hesitate to use the word done, but I would say that we don't expect to see anything like what we have experienced over the last couple of years in 2019.

Andrew Kligerman *Crédit Suisse AG - Analyst*

So you feel like most of the conversations have taken place and doesn't cause any surprises?

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

I think the conversations have taken place and there are none upcoming and we don't anticipate any beginning, but we don't control that entirely.

Operator

Our next questions are from the line of Humphrey Lee with Dowling & Partners.

Humphrey Lee *Dowling & Partners Securities - Analyst*

Just a follow-up on Charlie's comments about Retirement competitive landscape and you're seeing more organic consolidation. I think a couple of your larger competitors have talked about increasing appetite to actually to inorganic consolidate given how fragmented the market is. Can you talk about the possibility of Voya being a consolidator on that front and kind of your appetite in that area?

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

Sure. I'll start, but Charlie will pick it up. I mean, we have -- when asked similar questions in prior periods, we've provided to a number of examples, one of which is exactly this question. And that's, would we be open to adding a book of business that would add scale in our Retirement platform? And the answer is, yes. But yes associated with, it has to make financial sense consistent with our targets. That the answer hasn't changed, but I'll let Charlie add some dimension to what we're seeing in the marketplace.

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

Thank you, Rod. Just echoing Rod's comments, certainly, we think we're well positioned for the organic growth. And it's kind of what I referred to as, the market is organically consolidating. There's the growth of the top 10 DC providers, and we're winning our good share in that consolidation as well and winning an awful lot from the non-top 10 providers as well as the top 10. I think when I think about opportunities as we go forward, kind of where we look at, we talk about where and areas where we can potentially expand distribution, maybe where there's some product, there's service extensions and where we think we can get some profitable sub-segment or share growth and scale and maybe in some sub-segments of the markets that we're in, that we can just kind of expand on. But as I say, I mean, the momentum that we have in the marketplace, I think both in the Tax-exempt, in the Small/Mid Corporate and our total Full Service, we feel very strong, especially with our recurring deposit guidance that we gave, the 10% to 12%. And then, as I mentioned, the recordkeeping momentum that we have is really, really exciting and we're very pleased with the progress that we've got.

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

Let me just add one thing to the comment. Obviously, you know from this call, we are reaffirming our targets for 2019, '20 and '21 as at least 10% EPS growth over that period of time. And just maybe to remind all that are on the call, those targets are fully based on organic growth. So anything that might be considered outside of the financial parameters would be additive to that picture.

Operator

And our next questions are coming from the line of John Nadel with UBS.

John Nadel UBS - Analyst

I know we're up against the top of the hour, I have a couple though, if we can get them through. So Rod or Mike, a lot has changed in market conditions right in a very short period of time, a strong bounce in the market, good recovery of credit spreads. And I definitely don't want to be a downer, but just a month or 2 ago, all I heard from investors was collateralized loan obligations and Voya has just too much exposure. So I was just hoping you could spend a few minutes providing some detail regarding your CLO exposure, both within the general account as well as maybe on the Investment Management side, just to help us all understand it a little bit better just in the event that we do get a hiccup in the markets again. I just want the investors to have confidence in that issue.

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

Fair question. I'm going to have Christine take the beginning of that. Christine?

Christine Hartsellers Voya Financial, Inc. - CEO of Investment Management

Yes. I'll answer the questions with 2 lenses, the general account exposure and then the revenue exposure for Voya Investment Management. So on the general account side, we have \$1.3 billion of CLOs, 95% of which are NAIC 1 or 2. It's a very high-quality portfolio. Of that, \$460 million are Voya CLOs that we have launched as part of the risk retention. And when you think about that, we take a vertical slice. We want to be fully, if not all equity. We want to be fully aligned with all investors in the stack in terms of our CLO business. So very manageable. And then, outside of sort of the lens of the general account, for Investment Management, CLOs and bank loans are a very successful and important part of our business. However, given that, that they account for approximately 10% of Voya Investment Management revenues. And so when you think about that, we have a very balanced portfolio of products and markets that we go to. We're incredibly proud of our CLO franchise. And as I've told you before, very good reputation for a high-quality manager, we were one of the few. We were able to price a deal in the peak of market volatility in mid-December. And we didn't have to lower our fees or anything in order to get that deal done as well as Mike had mentioned earlier that we did our first European CLO, we have been nominated as one of the best CLO European Issuer of the year. This year, we don't know if we're going to win. We have 2 other competitors through that, but again, I think that's just recognition of the brand and the quality of what we do.



John Nadel UBS - Analyst

Okay, I do appreciate the color. And then, maybe second question is just if we think about the market dynamics, at the Investor Day, you guys laid out multi-year range of earnings growth expectations for each of the businesses. I'm just wondering, in particular, as it relates to Investment Management, how you feel about the 5% to 8%?

Michael Smith Voya Financial, Inc. - Chief Financial Officer

John, I'll start and then let Christine chime in. I think the way to think of the business goals is think of that as a 3-year CAGR, so we expect each of the businesses to over the next 3 years, we should be in that range. It is possible that in any given year, a business may come in below or possibly above. There'll be a little pressure in 2019 on the businesses. Because of that effect, I talked about earlier related to where stranded cost saves are going to go. They're going to show up in the Corporate segment. But to be very clear, setting all that aside, the EPS growth of 10%-plus for Voya overall is something we remain very confident in.

Operator

Okay, this concludes our question-and-answer session. I'd like to turn the conference call back over to Rod Martin for any closing comments.

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

Thank you. In summary, on Slide 18, we concluded 2018 with strong results that demonstrate our continued commitment to drive profitable organic growth and creating greater value. We've a proven track record of achieving growth across our businesses, managing costs, delivering savings and driving shareholder value through prudent capital management. We believe the Voya investment value proposition is compelling. We've set the bar high and we're committed to delivering on our targets through organic growth, cost savings and capital deployment. As a simpler, high-growth, high-return company, we're focused on strengthening our foothold in the workplace and with institutions. And we remain well positioned to achieve our plans to drive greater shareholder returns by ensuring we both anticipate and meet our customer needs as we pursue our vision to be America's retirement company. Thank you, and good day.

Operator

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

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