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PRESENTATION

Operator

Good morning, and welcome to the Voya Financial Fourth Quarter and Full Year 2021 Earnings Conference. (Operator Instructions)
Please note that this event is being recorded. I would now like to turn the conference over to Michael Katz, EVP Finance, Strategy and Investor Relations. Thank you. Please go ahead.

Mike Katz *Voya Financial, Inc. - EVP Finance, Strategy, and Investor Relations*

Thank you, and good morning. Welcome to Voya Financial's Fourth Quarter and Full Year 2021 Earnings Conference Call. We appreciate all of you who have joined us for this call. As a reminder, material 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're 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, our Chairman and Chief Executive Officer; as well as Mike Smith, our Vice Chairman and CFO. After their prepared remarks, we will take your questions. For that Q&A session, we have also invited our Vice Chairman and Chief Growth Officer, Charlie Nelson, as well as the heads of our businesses, specifically, Heather Lavallee, Wealth Solutions; Christine Hurtsellers, Investment Management; and Rob Grubka, Health Solutions.

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 & CEO*

Good morning. Let's begin on Slide 4 with some key themes. In 2021, we delivered strong results, including organic growth across our businesses, margin expansion and significant excess capital generation.

For the full year, we achieved record adjusted operating earnings of \$1.3 billion. We achieved this record not long since we divested our Life and Annuities businesses. This is a clear demonstration of how our Health, Wealth and Investment Solutions focus is driving further profitable growth for Voya.

For the fourth quarter, adjusted operating earnings were \$1.90 per diluted share. Underlining our performance was both strong alternative investment income as well as continued organic growth in our businesses. Notably, all of our businesses exceeded or

achieved the high end of our organic growth targets for 2021.

For Wealth Solutions, full year 2021 full-service recurring deposits reached \$12.1 billion, up 9% compared with the prior year period. And we generated positive full-service net inflows of \$576 million in 2021.

In Investment Management, we generated \$7.8 billion of net inflows during 2021, representing more than 4% organic growth. And in the fourth quarter, we achieved record net inflows of \$9 billion, which includes significant inflows from several large mandates.

In Health Solutions, in-force premiums grew 10% compared with the prior year period, which reflects growth across all product lines.

Beyond the organic growth that we delivered, we continue to demonstrate the power of Voya's high free cash flow businesses. This drives a free cash flow yield, which is one of the highest in the industry. In 2021, we generated \$1 billion of excess capital organically. This enabled us to build on our capital return track record, deploying a record \$1.7 billion of excess capital this year.

And with the continued benefit of our high free cash flow businesses, we concluded the year with approximately \$1.5 billion of excess capital. Since our IPO, we've returned approximately \$8 billion to shareholders through both share repurchases and dividends. As we move forward, we will continue to be disciplined and balanced with our use of capital.

We've delivered another year of strong organic growth, record excess capital generation and deployment and significant EPS growth. These themes will remain our focus as we advance our strategy and the 3-year growth plan that we shared with you at Investor Day. As I shared in November, our strategy puts the needs of employers, employees and intermediaries at the center of all that we do. We help employers optimize their benefit spend. We enable employees to make the right financial decisions. And we provide investment capabilities to meet the long-term needs of institutions and retirement plan participants.

By bringing our innovative thinking, resources and tools to customers, we can help them achieve better outcomes. In short, our strategy and focus will help drive our growth plans and create further value for all of our stakeholders.

Turning to Slide 5. Our focus on values and culture continue to differentiate Voya. Most recently, we were honored to earn the following recognitions, the Bloomberg Gender-Equality Index for the seventh consecutive year. The Dow Jones Sustainability Index for the sixth consecutive year and as 1 of only 8 companies included in the North America diversified financial services category. A 2021 Best Place to Work in Money Management by Pensions & Investments for the seventh consecutive year. And once again, earning recognition on the Human Rights Campaign's 2022 Corporate Equality Index with a perfect score for the 17th consecutive year. The actions of our people and our company reflect the strength of our culture and how that carries through in all that we do.

With that, let me ask Mike to provide more details on our performance and results.

Mike Smith *Voya Financial, Inc. - Vice Chairman & CFO*

Thank you, Rod. Let me begin by saying I am proud of all that our team has accomplished in 2021. We delivered a record year of adjusted operating earnings and generated a significant amount of excess capital. We shared our outlook for Voya at our 2021 Investor Day and the exciting opportunities we have to accelerate growth for our business. We are confident as we look forward to continued success in 2022.

Turning to Slide 7. Adjusted operating earnings were \$1.90 per share in the fourth quarter of 2021, which included: First, \$0.55 of net alternative and prepayment investment income above long-term expectations; second, \$0.22 of COVID-related impacts; and third, \$0.05 of other notable items, primarily net performance fees below expectations. Fourth quarter results contributed to a record 2021 adjusted operating earnings of \$8.37 per share. On an ex notables basis, we delivered adjusted operating earnings of \$6.04 per share, broadly in line with our full year guidance given at Investor Day.

Full year results reflect strong alternative investment income performance and strong underlying core results across all businesses. Fourth quarter net income available to common shareholders of \$403 million led to full year net income of \$2.1 billion.

With that, let's turn to our segment results beginning on Slide 8. Wealth Solutions delivered \$241 million of adjusted operating earnings in the fourth quarter contributing to record full year earnings of \$1.1 billion. Fourth quarter adjusted operating earnings included alternative income that was \$82 million above our long-term expectations. Full year adjusted operating earnings, excluding notable items, grew 22% year-over-year, driven by 13% net revenue growth and operating margins of 35.5%.

Full year net revenues reflect higher fee income from business growth, favorable equity markets and net investment spread experience. Full year administrative expenses were higher year-over-year, in line with our expectations. Looking ahead, we expect first quarter administrative expenses to be consistent with fourth quarter levels despite seasonality.

Turning to deposits and flows. 2021 full service recurring deposits showed continued strong momentum, exceeding \$12 billion in total, which is 9% growth year-over-year and above our targeted 6% to 8% range. The growth was driven by higher employer and employee contributions primarily in corporate markets. For full year 2022, we expect to return to 10% to 12% growth in recurring deposits.

For the full year, Wealth Solutions generated full-service net inflows of \$576 million, while record-keeping and stable value saw net outflows of \$6.7 billion and \$2.1 billion, respectively. 2021 net flows faced headwinds from higher dollar amounts of participant surrenders due to higher equity market levels. Also, in the fourth quarter, stable value sales slowed which mirrored industry outflows from capital preservation options.

We are pleased with the volume of RFP activity in full-service, recordkeeping and stable value. Our pipeline of plans and implementation is leading to an expectation of \$300 million to \$600 million of positive full-service net flows in the first quarter of 2022.

We are encouraged by the market interest in our integrated health and wealth benefit solutions designed to optimize financial outcomes for our participants. Our new plan activity and our differentiated value proposition give us confidence in our ability to grow revenues while maintaining operating margins.

On Slide 9. Investment Management delivered \$59 million of adjusted operating earnings in the fourth quarter of 2021. This contributed to full year adjusted operating earnings of \$239 million, exceeding our 2020 results of \$197 million due to strong investment capital results. Fourth quarter adjusted operating earnings included \$12 million of investment capital returns above expectations, offset by lower-than-expected performance fees on our mortgage derivative strategy.

Full year net revenues, excluding notables, grew 11% year-over-year. Primarily reflecting fees generated on higher retail AUM and strong fourth quarter fees generated from several private equity fund closings. These closings boosted the share of revenues from our private and alternative platform to roughly 50% in the quarter. Higher 2021 administrative expenses year-over-year were mostly driven by higher variable compensation. Our adjusted operating margin, excluding notables, was 25.7% for the year. As we shared at Investor Day, we expect to continue to grow our margin by 1% a year with a target of at least 27% by the end of 2022.

Turning to flows. We generated a record \$9 billion of net inflows in the fourth quarter. This contributed to full year net flows of \$7.8 billion, which represented 4.2% organic growth in the year and exceeded the high end of our 1% to 3% growth expectation. We achieved strong net flows across our institutional U.S. and insurance channels with continued demand for investment-grade credit, private credit and commercial mortgages. We also saw strong private equity closings and issued 2 additional CLOs in the fourth quarter.

We are seeing a strong start to 2022, supported by a robust unfunded pipeline that gives us confidence in our 2022 organic growth target of 2% to 4%. Our longer-term fixed income performance remains strong. 79% of our fixed income funds outperformed the benchmark on a 3-year basis, while 92% and 98% did so on a 5- and 10-year basis.

Looking ahead, we are excited by the continued strength across our diversified investment strategies and distribution channels, benefiting from excellent fixed income platform investment performance. We have a strong unfunded institutional pipeline to start 2022 with notable contributions from private and alternative strategies.

Turning to Slide 10. Health Solutions delivered \$33 million of adjusted operating earnings in the fourth quarter. Full year adjusted operating earnings were \$204 million, in line with our 2020 results. The fourth quarter earnings results included \$9 million of alternative income above expectations and \$34 million of COVID-related impacts. Full year 2021 COVID-related impacts were \$112 million, which drove total aggregate loss ratios toward the high end of our 70% to 73% target range. Age mix has driven our recent experience above the high end of our COVID sensitivity range such that we now expect a \$2 million to \$3 million impact per 10,000 U.S. deaths.

Full year adjusted operating earnings, excluding notable items, grew 14% year-over-year, driven by 13% net revenue growth and stable operating margins. Higher full year net revenue, excluding notables, primarily reflects growth in Stop Loss and Voluntary as well as the contribution from our recent benefit strategies acquisition.

Full year annualized in-force premiums grew 10% year-over-year, at the high end of our target range. As we maintain pricing discipline and protect margin in 2022, we expect the annualized in-force premium growth towards the lower end of 7% to 10%.

Higher 2021 administrative expenses year-over-year were mostly driven by volume-related costs, timing and certain nonrecurring expenses. Looking to first quarter, we expect expenses to be consistent with fourth quarter levels despite seasonality. While expenses were higher in 2021, our adjusted operating margin, excluding notables, remained stable at 33% on a trailing 12 months basis at the high end of our Investor Day target of 27% to 33%.

Going forward, we expect to drive strong net revenue growth while maintaining operating margins. Our health and wealth strategy continues to resonate with the market and we remain confident in the strength of our distribution channels, customer solutions and differentiated customer experience.

Turning to Slide 11. Our strong capital generation helped to support our record capital deployment in 2021 of \$1.7 billion. This included \$80 million of common stock dividends and \$1.1 billion of share repurchases in the year, of which, \$310 million was repurchased in the quarter. We also extinguished approximately \$0.5 billion of debt in the year, helping to reduce our financial leverage ratio to below our 30% threshold.

Our full year organic capital generation of approximately \$1 billion demonstrates the high free cash flow generation of our businesses. This capital generation contributed to our \$1.5 billion of excess capital at year-end 2021 despite record deployment.

Our 90% to 100% free cash flow conversion also leads to a high free cash flow yield, which currently stands at 13.2%, one of the highest in the industry. Going forward, capital deployment will continue to be a strong contributor to our 12% to 17% annual EPS growth target as we shared at Investor Day.

In summary, we are incredibly pleased with a year of record earnings, strong performance from the underlying businesses and how the collection of our Health, Wealth and Investment Management businesses continue to execute on our strategy. We remain confident in the plan we laid out at Investor Day last year, and we will continue to be balanced and disciplined as we look to deploy capital in the best interest of shareholders.

With that, I will 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 Nigel Dally of Morgan Stanley.

Nigel Dally *Morgan Stanley, Research Division - MD*

I wanted to start on capital. A number of questions. First, cash flow generation looked very robust this quarter, and I think specific to this quarter behind that. Second, your excess capital level looks -- continues to be very strong. What are your plans for putting that work? It seems like your capital management recently has been funded through free cash flow, leaving that excess capital buffer unchanged? And then third, any thoughts on perhaps altering the mix of capital management doing buybacks and dividends?

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

I'll let Mike begin.

Mike Smith *Voya Financial, Inc. - Vice Chairman & CFO*

Thanks, Nigel. Good to talk to you this morning and appreciate the questions. So first, in terms of cash flow generation in the quarter, I'd point to several things. Alternative performance was robust. I think that certainly contributed to the absolute level of cash flow generation. There were also some additional kind of like trailing cash flow contributions from the 2 most recent transactions, the sale of the financial planning channel with Cetera as well as the Life transaction with Resolution, both of those contributed relatively small, but still in the scheme of things, meaningful contributions there.

And there was a little bit of an effect of our reducing the RBC level from 400 to 375. That was -- while it was done to offset the impact of the new C1 factors, it was -- the going down in 25% increments led us to have a small benefit there. So that all added up to a very robust generation of free cash flow that completely offset the repurchases, pleased with that. And point to as well, just overall for the year, while any given quarter, it's going to potentially fluctuate the year -- was pretty much right at the high end of our range in terms of overall organic capital generation and cash flow conversion. So very pleased, we're able to do that.

In terms of plans in 2022, I think we laid it out at Investor Day that we expect capital management to continue to be a very important part of our EPS growth. We shared that we thought the leg of the stool -- that leg of the stool, I should say, was 7% to 9% of our growth with the balance coming from revenue growth and margin expansion at 4% to 6% and 1% to 2%, respectively, adding up to the 12% to 17% EPS growth that we expected. So we'll be operating within that framework over the course of 2022.

We'll continue to take the same sort of basic philosophy of being measured approach, consistent buyers looking to lean in where opportunities arise and lean back, we think the stock is not where we want to be purchasing and trading high.

So -- and then just last on capital mix or capital deployment mix and the question of dividends. That's a question we asked investors regularly and get lots of feedback, and we'll continue to ask that question. And I think the way we think of it is when you look at the cash flow yield on our stock at over 13% right now, while I think we have a lot of confidence in our ability to generate ongoing cash and appreciate the point that increasing our dividend from where it is now, which is slightly over 1% yield would be a great way to signal that. We look at that share price, and we just -- it's hard to pass up the opportunity from a shareholder perspective to deploy capital that way. So -- but again, open -- we're not opposed in any way to increasing the dividend philosophically. It's just a relative value question, and we think share repurchases are pretty clearly a really good use of capital for us right now.

Operator

Our next question is coming from Suneet Kamath of Jefferies.

Suneet Kamath *Jefferies LLC, Research Division - Equity Analyst*

I wanted to start on the financial leverage ratio. You guys include AOCI in your calculation, and that's -- I'm not sure that most other companies do that. And with LDTI coming, there's clearly a potential for AOCI to kind of swing around. So just wondering if that's a Voya decision to include it? Or is that something that the rating agencies kind of have you looking at? Or -- and is there any sort of potential change in the way you're calculating this based on some impacts from LDTI?

Mike Smith *Voya Financial, Inc. - Vice Chairman & CFO*

And at least on my end, Suneet, you broke up, but I think I heard -- I got the gist. So let's start with just the leverage ratio and how we manage it. We have a target of 30%. We try to aim for something a little bit below that to allow for some volatility in AOCI, and that's

part of the process that we go through. So we chose this particular formulation because it's what one of the rating agencies focuses on. Each agency has its own particular approach to leverage ratios. They also -- they look at a lot of other things. I think the leverage ratio gets a lot of airtime and a lot of attention. But also looking at cash coverage, other forms of leverage and so on. So it's just a -- it's a shorthand way for us to show where we are in terms of our debt equity structure.

LDTI, absolutely will have an impact here. And so we're starting to think about what that might look like and will we make changes. And we're going to have to take our lead to some extent from the agencies as well because I think it's important that we remain, if not exactly identical, at least in sync with how they're thinking about leverage. So a lot to come over the course of the next the next several quarters.

I don't think in the end, though, it's going to change the level of debt that we carry. We may measure it differently, we may have a different set of metrics around it, but I don't think we're going to have to do any dramatic capital action. As I mentioned in the prior quarter, at this point, we don't see LDTI having a terribly meaningful impact to our book of business, but it's still early days. We're still doing a lot of work and not in a position to share that -- those numbers today.

Suneet Kamath Jefferies LLC, Research Division - Equity Analyst

Okay. Got it. And then just switching gears to retirement. Can you talk about any leverage to rising short-term rates? I seem to recall at some point in the past when rates were rising, you had a floating rate portfolio that started to kick off some additional investment income. Just wondering where we stand with that and if you have any sensitivities that you could provide?

Rod Martin Voya Financial, Inc. - Chairman & CEO

Mike, do you want to start and perhaps I will follow.

Mike Smith Voya Financial, Inc. - Vice Chairman & CFO

Yes. I'll go with that. Sure. So Suneet, your memory is correct, there was a floating rate pool, but that was primarily part of the financial planning channel. So most of that, at least as it relates to wealth is gone. We do have some floating rate exposure. It's in the neighborhood of \$2 billion in gross assets. So there will be some benefit as rates -- as it relates to short-end -- rates go up.

Broadly speaking, our interest rate guidance remains where we've been, which is 100 basis point increase for a year would generate \$20 million to \$30 million of additional income, and a decrease would be a \$10 million to \$20 million drop -- 100 basis point decrease will be \$10 million to \$20 million drop.

As rates go up, you should think of that lower range, the decline range, that will start to creep up, and we'll update that as events unfold, but we're probably closer to the high end than the low end given where rates have gone over the last month or 2. And that's for the whole business, by the way, but mainly retirement, but that is for the all of VOYA.

Operator

Our next question is coming from Mike Zaremski of Wolfe Research.

Mike Zaremski Wolfe Research, LLC - Research Analyst

Maybe a follow-up on Mike, your comments on the uses of capital and the free cash flow yield you cited. You cited the 13%, which I thought was a trailing figure when we looked at the deck and which was kind of propped up by better-than-expected alternative returns. But just trying to make sure -- and if I look at consensus on a forward basis, I think the expectation for things to normalize. So just curious, are you guys -- if there's a read-through saying you think on a forward basis, your free cash flow could remain around 13%?

Mike Smith Voya Financial, Inc. - Vice Chairman & CFO

Look, I think our -- yes. So Mike, thanks for the question. So yes, the 13% is, I think, the trailing. But going forward, I still think we're very attractive looking on a free cash flow yield basis. So that will continue to be our -- one of the measures we look at as we're considering the relative mix of capital use. But as I said, that's something we're open to talking with investors about and gathering opinions and we could potentially adjust it in the future. There's not a plan at this point, but we're open and nimble and willing to consider the different approaches.

Mike Zaremski Wolfe Research, LLC - Research Analyst

Okay. Understood. And my follow-up would just be any update on the CEO search in terms of timing?

Rod Martin Voya Financial, Inc. - Chairman & CEO

It's Rod. As we've communicated previously, my employment agreement is through the end of the year. That is when I do intend to retire. We are working through this in a very thoughtful and purposeful way. And I've communicated previously that it is our intention to have no surprises for the investor community as we do this, but we've got lots of runway through the course of this year before that's announced, and we will keep you all posted.

Operator

Our next question is coming from Tom Gallagher of Evercore.

Tom Gallagher Evercore ISI Institutional Equities, Research Division - Senior MD

I think in some of the past calls, you all have been talking more about M&A as a possibility balancing that against buybacks for use of capital. Just given where your stock is trading, other opportunities that might be in the market. Can you talk about your updated thoughts on M&A and whether or not that can include somewhat larger-sized deals because I think the deals you've announced so far have been pretty small?

Rod Martin Voya Financial, Inc. - Chairman & CEO

Mike, would you like to begin? And I'll follow-up.

Mike Smith Voya Financial, Inc. - Vice Chairman & CFO

Sure. Thank you, Tom, for the question. So in short, I'd say nothing has really changed in our -- from what we said back in November in terms of our view on M&A. So we think there are potential opportunities that would enable us to accelerate growth, particularly in the benefits space as well as we talked about privates and potentially alternatives in the investment management space, things that would enable us to be closer to customers, have better data capabilities. We're also, I think, open to scale opportunities where those might make sense. So what we did say too was that for smaller deals, the time frame for accretion might be stretched out a bit from our 24-month window, and that's accretive relative to share buyback.

So at larger deals, we've not, nor will we set a limit in terms of what we're thinking other than kind of the practical limits that you all can imagine. But -- and we're open to whatever would make the most sense for shareholders that -- of the opportunities set that's in front of us. So I think the stance here is one of how can we continue to drive revenue growth while preserving or increasing margins? And those are the kind of deals that we're going to be looking for.

Rod Martin Voya Financial, Inc. - Chairman & CEO

So the only piece I'd add to what Mike said is, we're laser-focused on the 12% to 17% EPS growth and all of that we presented at Investor Day is organic. And those levers that Mike talked about earlier on the 4% to 6% contribution from revenue or the 1% to 2% for margin expansion or the 7% to 9% from capital management, those are levers that have always been at our disposal. We'll continue to be, and we are going to continue to be absolutely focused on enabling that outcome.

Tom Gallagher Evercore ISI Institutional Equities, Research Division - Senior MD

Got you. And then just my follow-up is the -- just a question on the elevated pension expense. What -- I think there was some derisking that caused that. Any actual pension contributions that we should be thinking about? Or is there no funding actually for this? Because I believe, it was mentioned, it was noncash. And if it is noncash and we're going to have higher pension expenses, should we assume your free cash flow conversion ratio actually gets a little better considering that that's going to hit GAAP earnings, but not cash flow?

Rod Martin Voya Financial, Inc. - Chairman & CEO

Mike?

Mike Smith Voya Financial, Inc. - Vice Chairman & CFO

Tom, thank you. So first, correct that it will not hit cash flow. And so all else equal, at the margins the GAAP earnings will be a little bit lower than they might have been, and cash flow is unaffected. So yes, the math would push you up a bit. I don't know that that's going to be all that discernible given the magnitude of the numbers. But what's happening more broadly here is every year, we remark, if you will, the pension plan. That's just an accounting process that we go through where we evaluate the liability, we apply a current rate to it is something every company does. And then you make you adjust in one-timer adjustment of the liability to reflect current conditions. And then those affect your estimates of pension income, which is the -- on a GAAP basis, the earnings you get from the funds underlying the pension plan and the expense.

And so what has happened over the last few months is our pension committee, which is independent of management, by the way, made the decision to shift more of our assets into fixed income in recognition of the fact that we're in a very favorable funding spot.

So we're more fully immunized. There'll be less volatility in the underlying pension assets, which is great given that we're very well funded now. And so don't expect to see the kind of volatility that we might have seen in the past. But that also comes at the cost of having lower return expectations. And so that's -- the pension income will be lower this year. The pension expense is basically unchanged. It hasn't changed very much. I think it's a tiny increase. And so the net of those is that it's a smaller benefit because the income actually on a GAAP basis exceeds the expense.

As it relates to contributions, I don't think we've got the numbers that we'd be in a position to share. But any contributions this year, I would expect to be relatively small and not going to have any meaningful impact to our ability to do repurchases, pay dividends or otherwise.

Operator

Our next question is coming from Erik Bass of Autonomous Research.

Erik Bass Autonomous Research LLP - Partner of US Life Insurance

Can you provide some more color on the expenses in the fourth in 4Q, which I believe included some accelerated investments? And then given the upward pressure that we are seeing on wages, how are you thinking about the G&A expense outlook across your businesses in 2022?

Rod Martin Voya Financial, Inc. - Chairman & CEO

Mike, would you like to begin?

Mike Smith Voya Financial, Inc. - Vice Chairman & CFO

Sure. I'll take a start and then others can join in. So fourth quarter was a couple of things. There was timing that we had signaled on spend like advertising, some IT spend around adding some capabilities just happened to be a little bit higher in the fourth quarter. Also a couple of other -- not expected to recur, accounting adjustments that were relatively small, but ended up as well. So overall, that drove us to the level of expenses where we're able to say that first quarter, which is normally a seasonally higher quarter next -- this year will be about the same as fourth quarter. So -- but the investments are -- I think -- we're pleased to have had the chance to accelerate some of those capabilities. And we'll go forward from there. It will help with the revenue growth.

Overall, the wage conditions, we've made our best estimate that in terms of what we think that's going to -- the effect that's going to have in '22, that was baked into our targets that we shared at November. I don't think our view has changed meaningfully since then, but it's obviously a pretty rapidly evolving situation. And so we want to be -- we'll be very mindful of where we are relative to competitors for our most important asset, which is our talent. We're very focused on that. We have regular conversations about it at the most senior level. So very focused on that. But I think it's within our footprint, at least our ability to manage going forward.

I'd also point out, and I think other calls -- other companies have pointed us out too, wage increases are broadly speaking, a good thing for the businesses that we're in, particularly in the Wealth business in terms of contributions as well as in the Group Life business, particularly in terms of benefit amounts and premiums that get paid. So those things will be generally favorable for us. So the balance of

interest, I think, is that some degree of wage inflation is probably a good thing for us. But throughout we'll be focused on managing and delivering the margins that we've talked about and continuing to grow revenue. And those, I think, are going to be our primary guidepost as we go forward.

Erik Bass *Autonomous Research LLP - Partner of US Life Insurance*

And then in the health business, it looks like the voluntary loss ratio quarter and where it's been running. Can you just talk about what you're seeing in terms of claims experience and if this is starting to normalize?

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

Rob?

Rob Grubka *Voya Financial, Inc. - CEO of Health Solutions*

Yes. Thank you. Appreciate that, Erik. So I think, look, the step back on quarter-to-quarter, there's always a bit of noise depending on the products, it ebbs and flows a little bit with seasonality. Voluntary, you get a little that in fourth quarter with just enrollment activity and sort of a reminder of, "Oh, I've got these benefits". And so you see a little bit of that noise. But I would say that was pretty modest. And really, as you do the step back for the year, -- we've obviously had really strong growth in the supplemental health voluntary product line, 22% growth year-over-year. And then in line with that, if you look at the underwriting margin for the year, it's growing at 23%.

So I think we're really in line and feeling good about what we're seeing there. The underlying dynamics, there's no sort of issue that we're concerned about as we move forward. That business has been running well for us. Time will tell, obviously, COVID and the dynamics that you're alluding to of things going to change, behavior is going to change. We'll see those things, and we'll react to those things. But as we look at the overall health of the business, I'd say, we're doing exceedingly well.

Operator

Our next question is coming from Ryan Krueger of KBW.

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

First question is just -- can you just remind us what your current expectation is for first quarter expense seasonality?

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

Mike?

Mike Smith *Voya Financial, Inc. - Vice Chairman & CFO*

Ryan, the place to lay that would be somewhere around \$25 million to \$30 million, just like it was last year, I think, is a good place to start.

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

And then now that the mandates have funded, can you give an updated view of the investment management pipeline headed into 2022?

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

Happily, Christine?

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

Yes. Sure thing, Ryan. So yes, we had a very successful quarter, as you saw, our largest net inflows that we've had. And just thinking about the quarter in particular, what we think of as larger mandates call that north of \$1 billion. We had more than one fund, so that certainly contributed. But underneath a lot of diversity. So our private markets continue to advance, client demand remains strong. So when you look out, and we're looking at the pipeline and unfunded wins into '22, we see a lot of diversity there, a lot of strength. And we're confident we're going to get into our 2% to 4% organic growth range, our target that we put forward on Investor Day.

So really excited about it. Again, we've got great products, the demand for differentiated asset classes plus leveraging are strong, fixed income investment performance continues. So again, feeling good about the year.

Operator

Our next question is coming from Alex Scott of Goldman Sachs.

Alex Scott Goldman Sachs Group, Inc., Research Division - Equity Analyst

First question I had was on Health Solutions. You guys gave a lot of guidance there. So we have a good amount to work off of. But I just wanted to see if you could comment on the Stop Loss business and just how you view your competitive positioning there? That's sort of a business that goes through cycles. And I was just wondering how you view that market and sort of price adequacy and so forth moving into 2022?

Rod Martin Voya Financial, Inc. - Chairman & CEO

Rob?

Rob Grubka Voya Financial, Inc. - CEO of Health Solutions

Yes. Great. Thanks, Alex. So Stop Loss, as you alluded to, it goes through cycles. As you do the look back for what we've experienced in our book over the last couple of years and I would say we were doing very well in this version of the cycle with loss ratios at the lower end of our guide around that 77% to 80%, we're in the 77% neighborhood. And so that's been great. And it took a lot of work to get there a couple of years prior. We were working hard to improve underwriting margin in that business. I think as you've seen us operate over the last couple of years, the last few years, it's been about striking that right balance of growth and disciplined underwriting. I think that is the story that we'll continue as we move forward. It's a business where if you lose a handle on underwriting margin, you obviously can't grow fast enough to recover from that impact that it has on your book of business.

And so we'll do what we continue to do is focus on the right balance there. As Mike alluded to, in our growth guidance, the 7% to 10% range, we expect them to be at the lower end of that. A piece of that will be what we experienced in the renewal and new business cycle for one-to-one. So on the new business side of things, we came in about where we expected, if not right on top of it. Renewal season was a little bit more challenging. But again, as I alluded to, our book of business has been running very well. So we have plenty of competition on trying to retain good running cases, but importantly, knowing when not to chase the market and that's just going to happen. That's the ebb and flow of that business. so we'll be in a position to talk a lot more about what we saw, what we experienced once we talk about 1Q. But at this point, we're going to strike the balance, as I alluded to and that we've done over the last few years.

Alex Scott Goldman Sachs Group, Inc., Research Division - Equity Analyst

Got it. That was helpful. And then my follow-up question is just on LDTI. I know you're not ready to give impact sensitivities and so forth. But I was wondering if maybe you could just note how much of the existing reserve balance is transitioning to this new accounting? So sort of how much of your existing reserves or FAS 60 today that we should think about potentially having an impact here?

Rod Martin Voya Financial, Inc. - Chairman & CEO

Mike?

Mike Smith Voya Financial, Inc. - Vice Chairman & CFO

Alex, I don't know the number off the top of my head, but that's something we could maybe be prepared for in first quarter as we get -- it's a good question. I think just to the point I made earlier though, it's going to be relatively small, but it's not 0. There is some legacy -- there are some legacy contracts still around that are here, but it's not going to be a meaningful amount for us in my view. But we'll come back to you on that as we give a little more color in the coming quarters.

Operator

Our next question is coming from Andrew Kligerman of Credit Suisse.

Andrew Kligerman Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst

Staying on the Health Solutions area, again, thoughts around the Group Life and Disability and the ability to get rate and perhaps how much influence that might have on the 7% to 10% growth that you're looking at?

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

Rob?

Rob Grubka *Voya Financial, Inc. - CEO of Health Solutions*

Yes, sure. Thanks, Andrew. It's interesting. You tend to think about life and disability is this old stodgy part of the market, and you kind of got to do it. I just a couple of things, and I'll get to your question. The ability to deliver an integrated experience, the impact, especially post COVID and during COVID here, as we said, of lead management and the dynamics around the complexity of that element of a life disability package and what that means to decision-making and just overall satisfaction with an employer and their provider of coverage. So I would say there's always been just stinginess around rate in that market and what are you going to be willing to pay.

But I would say the decision-making criteria has gotten a bit different. How that plays out as we think about COVID mortality and the impact and pressure that can have on pricing, how the market's going to calibrate to that I think is a story to be written. Obviously, there's an impact as the underwriters are looking at and making decisions about what they think go-forward experiences in our business.

Just as a reminder, most of the stuff that we do is going to be experience rated for the most part. And so we're going to see what's going on and make assessments and make good decisions as we move forward. And we'll see what the market will bear. What I would just say is that element of lead management and how that comes together is an incredibly important part of the decision-making that's I think, only gotten heightened of light. And then what we started to see more that we talked a little bit about Investor Day is just what's come in the market is not just life and disability, a lot of times and over 30% of the time, closer to 40%, we're seeing business come to market now that's also got supplemental health as part of the conversation and the shopping that they're doing.

And so I think the price element starts to maybe get diluted a little bit. And hopefully, that means there's upward movement. As we talked about, Mike just said a second ago, wage inflation, wage growth, those are things that also help the business overall. So it's a little bit more complicated than it used to be, but let me just sort of take a pause there and see if you want me to go deeper.

Andrew Kligerman *Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst*

I think you said the book is yet to be written, but is there any movement at all in price?

Rob Grubka *Voya Financial, Inc. - CEO of Health Solutions*

Well, again, I think it's hard to say at this point in time. And part of why I say that is like, look, we're getting into national account season as we speak. Have we seen meaningful change in price? I would say the answer to that is no. But it's something that, obviously, we continue to assess and see where the market settles in. And then you throw in the factor, as I was alluding to at the end there, I think there's other bigger elements that are going to drive decision-making, which in theory will allow for some price drift up. But again, I don't want to declare it just yet. I think there's a lot more complications around those decisions than there used to be.

Andrew Kligerman *Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst*

That was helpful. And then my second question would be for Mike Smith around the earlier comment about capital, and I'm just kind of thinking to myself about share repurchases. And Mike, you talked about capital return to shareholders being 7% to 9% of the 12% to 17%. The other backdrop I'm thinking about is organic generation of close to \$1 billion again this year, excess capital of \$1.5 billion. So I'm looking at \$2.5 billion of potential redeployable capital. Last year, you bought back over \$1 billion of stock. That would create more than -- probably more than 10% EPS upside as I eyeball the number. So the question is, would you be willing to go for a year of over \$1 billion in buybacks or maybe well over \$1 billion in repurchases if there's that opportunity to lean in?

Mike Smith *Voya Financial, Inc. - Vice Chairman & CFO*

Andrew, thanks for the question. I think part of the reason that we're not giving specific numbers at this point is because we have, I think, an enormous amount of flexibility. And so I think we're open to whatever opportunities present themselves that makes the most sense for shareholders at the time we're giving them. So I'm not going to maybe comment specifically on any given number other than that's going to be our focus. It has been our focus and will continue to be our focus, shareholder value.

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

And Andrew, Rod, just to modestly reinforce that. You certainly at Investor Day and on this call, we continue to point very clearly to the 12% to 17% EPS growth rate. And as you well point out, that is a lever that we can use, that we have used and we will continue to be very open to using prospectively. So I think as you think about Voya, after we completed the derisking a far simpler company, a very attractive EPS growth rate, we will continue to lever and exercise those tools fully to -- for shareholder outcome.

Operator

(Operator Instructions) Our next question is coming from John Barnidge of Piper Sandler.

John Barnidge *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

My question, in the Investor Day slides, you talk about private and alternatives, 3% to 4% versus organic from other markets. So you're clearly expecting more growth out of privates and alternatives. Now you're breaking out disclosure around that around alts and privates and fixed income. So thank you. You currently sit at 30%. Where do you aspirationally assume it grows to for that 2024 target of 5% to 7% per year?

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

Christine?

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

Well, John, how we think about it is, certainly, we have forecasts based on it is driving significant growth within investment management. We do have targets. Are we specifically saying we're going to be x percent of AUM at a certain point in time? No. And so how we think about it though, and what we see is it is a higher-margin product. As you said, it's about 1/3 of our assets today. We had a strong quarter in private in 4Q. So again, it's going to contribute to our margin expansion. And one of the things that I just love about asset management here at Voya, sort of our untold story is we took out such a good diverse product line, whether it's private asset classes, as you see as well as public asset classes.

So we're focused on alpha. We're focused on investing strategically in our private capabilities with fund launches that we have in the pipeline already this year, such as the commercial real estate impact. So think of the beauty of green or ESG coming to private markets with that.

So again, we're investing in it. It's growing, but we have a broad book of business. And so we're really focused on delivering alpha for clients because they have complex needs that they're facing every day in this world in which we live as well as really focusing on driving our operating margin expansion. And so again, when you see that, it's going to be based on fundamental growth, client demand as we go on our journey to continue to deliver for shareholders as well.

Operator

Our next question is coming from Elyse Greenspan of Wells Fargo.

Elyse Greenspan *Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst*

My question is just -- I was hoping to get some color if you guys have any line of sight into the reduced full-service fee pressure that you guys have guided to?

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

Heather, would you like to begin?

Heather Lavalley *Voya Financial, Inc. - CEO of Wealth Solutions*

Sure. Thank you, Elyse. So a couple of things that I would point to around the fee pressure. And as was noted in the presentation. In the quarter, we did see a little bit of movement in the full service fees that were driven by onetime accounting items that we don't expect to repeat going forward. Now our guidance on fee pressure has remained unchanged since Investor Day. We talked about at Investor Day that we expect our fee pressure to ease down from 1 basis point per quarter down to 0.5 basis point. And really, it's driven by 3 main

fundamentals.

Number one is, we are focused on strong pricing discipline in our existing book of business; second is the focus on writing profitable new business; and then deepening our client relationships, and we've got a lot of paths to be able to diversify revenue through growth of managed accounts and some of the enhancements we've made to our own target date funds. And at the end of the day, we are very focused on driving the revenue growth of 2% to 4%, while maintaining the operating margins that we've done so since our IPO.

Operator

Our final question today is coming from Josh Shanker of Bank of America.

Josh Shanker BofA Securities, Research Division - MD

Yes. This is just an easy one. On the [VII] and thinking about the private equity, what has been your long-term view of the return on that asset class? And how does that factor into your modeling for normalized earnings?

Rod Martin Voya Financial, Inc. - Chairman & CEO

Christine?

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

Maybe...

Mike Smith Voya Financial, Inc. - Vice Chairman & CFO

Maybe I can take that, Rod.

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

Yes. Go ahead, Mike.

Mike Smith Voya Financial, Inc. - Vice Chairman & CFO

So we assume 9% returns. That's our normalized amount. I think if you look back historically, over the last several years and certainly the reason you pushed us meaningfully above that. But even excluding last year 2021, we've been a little above that, but I think 9% is a reasonable assumption going forward, and that's what we've built into our models. And when we say above expectations, that's what we're comparing it to.

Operator

Thank you. At this time, I'd like to turn the floor back over to Rod Martin for closing comments.

Rod Martin Voya Financial, Inc. - Chairman & CEO

Thank you. Our success throughout 2021 reflects the purposeful decisions that we've made as a company as well as the commitment and dedication of our people. Despite the challenges posed by the pandemic over the past 2 years, we've remained committed to our plans, to our communities and to our employees. And we benefited from the diversification and strength of our businesses, and this has benefited all of our stakeholders. Now as we look forward, we're excited about the opportunities before us as a leading health, wealth and investment company. Our focus driving net revenue growth, along with our strong free cash flow and increasing margins will enable us to further -- drive further earnings per share growth. We look forward to updating you on our progress. I hope you and your families stay healthy and safe. Thank you, and good day.

Operator

Ladies and gentlemen, thank you for your interest and participation in today's Voya Financial conference. You may disconnect your lines or log off the webcast at this time, and enjoy the rest of your day.

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