



**Eli Lilly Group Pension Plan**  
Trustee Report 2022

## Chair's Statement

One of the key roles of the Trustee Board is to ensure that the Plan has sufficient assets to pay the benefits in retirement that members of the Plan are entitled to. 2022 saw significant economic and political challenges, both globally and in the UK. In particular, interest rates and the cost of borrowing rose, affecting the value of many financial assets and the value of Plan liabilities. The Lilly Plan was not immune to these changes.

Our ongoing monitoring shows that during 2022 our **assets** and **liabilities** fell by more than a third. We would like to reassure members that as assets and liabilities both fell, the Plan remained well funded and had ample **liquidity** to meet all pension payments at all times. The investment strategy and monitoring the Trustee Board had in place was well positioned to withstand the market volatility that was experienced in 2022. The Trustee Board continues to work with our advisers to ensure governance remains robust.

We are currently working with the Plan Actuary on a formal reassessment of all our liabilities — we do this every three years and we will report back to you on the final position once this important piece of work is complete.

### Other notable work by the Trustee Board in 2022 includes:

- We took further steps to remove risk related to equities in our portfolio and sold our remaining public equity investments. As a result we now hold a larger proportion of our investments in Corporate and Government Bonds.
- With our advisers, we have completed work to assess if the Plan's funding level is at risk from climate change. We have concluded that climate-related risks are not a material threat to the Plan's sustainability. We continue to work to encourage our investment managers to better consider climate-related risks and to improve reporting. Our full report on climate-related risks is on our public website.
- We continued to make excellent progress towards implementing Guaranteed Minimum Pension equalisation adjustments and the work on this is almost complete. Some retirees will receive small pension increases as a result of this and they will be contacted towards the end of 2023 by our Plan Administrator, Buck.

- We have worked to prepare for both the new Regulatory Codes of Practice and a new Regulatory Funding Code. As part of this we revisited our risk register to ensure we reflect new and emerging risks such as climate-related risks.

All of these activities have been carried out to help to ensure that your benefits are secure and well managed, and that we comply with all legislation and regulation.

Finally, I would like to note the retirement of Sue Forda from Lilly. Sue served as a Trustee for 17 years, chairing the Trustee Board for the last two. Her knowledge and commitment to the Plan management will be missed. We wish her well in her retirement.

Further general information is contained in this report, and, on behalf of the Trustee, I would encourage you to read it carefully. If you have any questions or would like to send any feedback to the Trustee on this report, please contact the Plan Administrator using the contact details in this report.

### Ian Dane

Chair, Eli Lilly Group Pension Plan

## Glossary

**Assets:** The value of all the investments the Plan holds including long-term investments and cash on hand.

**Liabilities:** The value of the expected future pension payments in today's money.

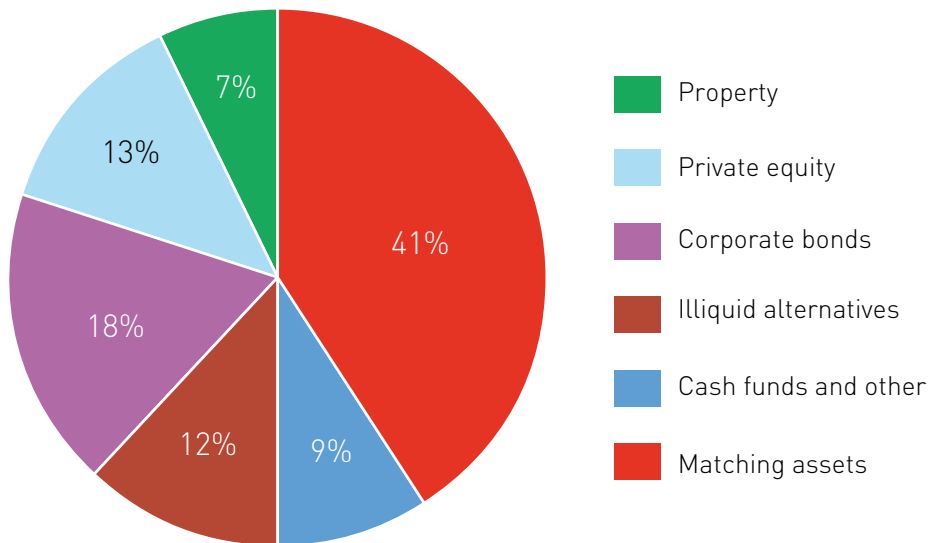
**Liquidity:** Cash on hand to pay pensions as they fall due.

# Plan Financials

## Here is how the Plan assets have changed:

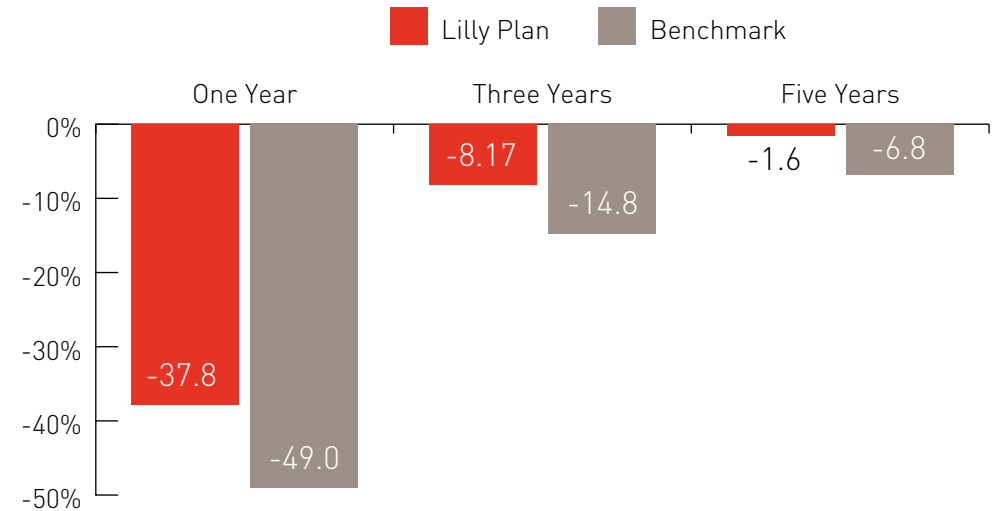
<b>Assets at 31 December 2021</b>	<b>£2,048.8m</b>
Contributions	£2.1m
Benefits and expenses paid	£(52.8)m
Net return on investments	£(742.4)m
<b>Assets at 31 December 2022</b>	<b>£1,255.7m</b>

## Here is how they are invested:



We have reduced our investment in equities over the course of 2022, increasing the allocation to assets such as Government Bonds that move in line with the value of the liabilities of the Plan. This means that the risk of shortfalls in funding arising in the future is reduced.

## And here is how the Plan's assets have performed:



Graph shows annualised performance.

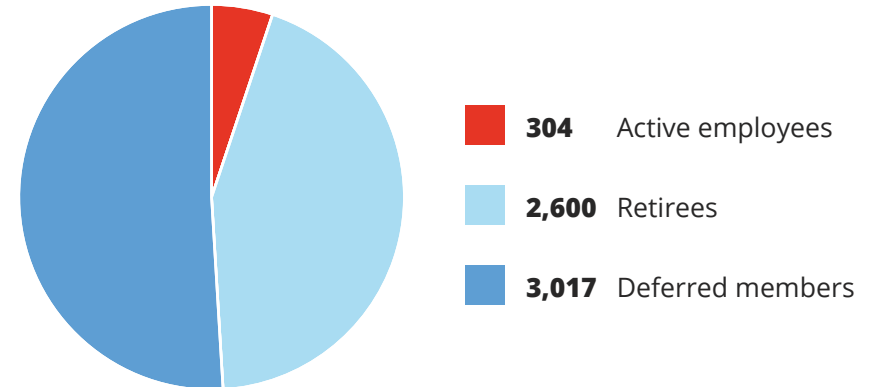
Although our assets have fallen, the value of the liabilities has fallen by a similar amount. We will report more formally on this when the 1 January 2023 Actuarial Valuation has been finished.

A copy of the full annual report and accounts is available for Plan members on the member portal or by request from the Plan Administrator.

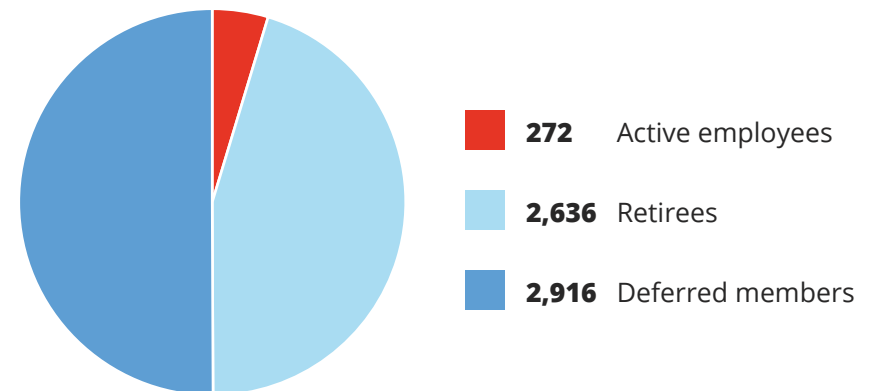


## Plan Membership

**31 December 2021**

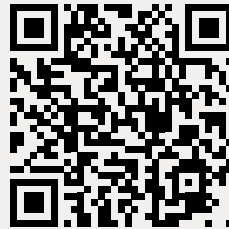


**31 December 2022**





Scan and take  
control of  
your pension



## Take control of your pension online

The easiest and most secure way to manage your pension is online through **MyReward**, your Pension Portal. Go to the Plan website at [myreward.lilly.com](https://myreward.lilly.com) and follow the instructions to log in.

**The Portal has a wide range of tools and functionality to manage your pension. You can:**

- View and update your personal details
- Check the current value of your pension (if you are yet to take your pension from the Plan)
- Review and change your Expression of Wish
- See what your benefits could be worth at retirement
- Access member and Plan documentation

...and much more!

We are always looking to make improvements to the Portal and will keep you updated with developments.

## Coming soon: your new and improved Plan website

No matter what stage you are at in your life, it is important to plan ahead and gain a good understanding of how your pension works and the benefits that it brings.

That's why we're improving your Plan website to ensure we provide you with all the information you need to better understand your pension and benefits. Our aim is that the website will become your first port of call when you want to find out something about your pension.

**Through the Plan website you will be able to:**

- Get an understanding of how your pension works
- Access useful information and documents
- View your options at retirement (if you are yet to take your pension from the Plan)
- Access your Pension Portal to view information specific to you
- View a series of 'How to' animations, providing you with instructions on how to carry out key functions within the Portal
- Find out how to contact the Plan Administrator

**The Plan website is still accessible at [elililygrouppensionplan.co.uk](https://elililygrouppensionplan.co.uk). We'll be in touch to let you know once the improvements have been made and are ready to use.**

# Climate Change

Understanding the impact of climate change and the Plan’s vulnerability to climate-related risk will help us to mitigate any risk and take advantage of any opportunities.

**This year, with its advisers, the Trustee Board has completed the following steps:**

<b>Set its governance structure</b>	This is how the Trustee Board will work with its advisers.
<b>Considered its strategy</b>	This includes a measure of our resilience to climate change. We have concluded that the Plan is resilient to climate change even under severe downside scenarios.
<b>Measured its risks</b>	<p>In particular we measured the amount of carbon emissions from the Lilly Plan investments and the quality of data from our investment managers.</p> <ul style="list-style-type: none"> <li>• Over 90% of our measured carbon emissions related to our investment in UK Government Bonds.</li> <li>• Some of our underlying fund managers had not provided full reporting. This is not unusual as climate reporting is relatively new.</li> </ul>
<b>Developed metrics and targets</b>	Our first priority is to improve the quality of reporting from investment managers to help us better understand climate risk. We will focus on the most material funds we hold.

The Trustee Board support the Taskforce on Climate-related Financial Disclosures recommendations and will continue to report on progress in future years.

The full Climate Change report can be found at [elilillygrouppensionplan.co.uk](http://elilillygrouppensionplan.co.uk) or on request from the Plan Administrator.





## Pension News

### Pension transfers and scams

We continue to recommend that members be very wary of any “pension offers” received, say from social media sites. Hallmarks of a pension scam that you may be targeted by include:

- Contact out of the blue
- Promises of high or guaranteed returns
- Free pensions reviews
- Access to your pension before age 55
- Pressure to act quickly

Please be aware that if you are considering a transfer, you will be required by law to take financial advice from a regulated Independent Financial Adviser if your transfer value is over £30,000.

Depending on the exact details of your transfer, you may also be directed to take advice from MoneyHelper, a government-backed advice service. The Plan Administrator may also ask you to complete several checklists to confirm your understanding of the transfer you wish to make. The Plan Administrator may follow this up with a call to check your understanding.

**These checklists and calls are to provide member protection and to ensure that the Plan is running in line with The Pensions Regulator’s guidance on transfers out.**

**Those members considering a transfer out are recommended to read The Pensions Regulator’s Guidance.**



## **Guaranteed Minimum Pension Equalisation (GMP)**

We have reported previously that the High Court had ruled in the “Lloyds” case that GMP benefits in relation to service from 17 May 1990 should be provided on an equal basis for men and women. Further guidance was received from HMRC on this in 2020 and a further High Court ruling (so-called “Lloyds 3”) was also handed down in November 2020. Lloyds 3 requires the Plan to also equalise historic transfers paid to members.

We continue to make excellent progress with the calculations needed and in the next few months we will contact members whose pension in payment needs to be increased. We have also reviewed past transfers out to decide if any adjustments were needed.

**No member action is needed. Most adjustments are expected to be very small. There will be no reductions to pensions in payment.**

## **Lifetime Allowance**

Following a recent Government announcement, if you take your pension after 6 April 2023 there is currently no Lifetime Allowance Charge.

If you wish to take a Pension Commencement Lump Sum, usually referred to as a “tax-free cash lump sum,” at retirement this will only be tax-free up to 25% of the current Lifetime Allowance of £1,073,100, unless you have registered protection for a higher personal Lifetime Allowance.

The Government are currently consulting on how the Lifetime Allowance will operate from the 2024/25 tax year.

**The Plan Administrator can provide calculations at retirement to help you understand your personal position. An Independent Financial Adviser would assist you if you require support with decision making at retirement.**

## **Annual Allowance**

The taxation of pensions during employment can be complex.

Employees whose annual retirement savings are valued at over £40,000 will receive an Annual Allowance statement from the Plan Administrator.

All employees will be able to see the annual value of their retirement savings for Annual Allowance purposes in the Pension Portal on myReward.

**We recommend all employees check this information carefully as employees are responsible for reporting and settling any tax due with HMRC.**

**A “Scheme Pays” option is available in certain circumstances, which means any tax due is initially paid by the Plan and recovered from members, pension benefits. Contact the Plan Administrator if you would like further details of this.**



## Key dates for members to note

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### Early retirement age:

- Today, the earliest you can draw a pension is age 55
- In 2028 this rises to age 57

**No action is needed.**

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### State Pension age:

- The State Pension age is currently 66 but is increasing over time to age 68
- You can check your personal State Pension age at [gov.uk/state-pension-age](https://www.gov.uk/state-pension-age)

**No action is needed.**

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### Age to draw an unreduced pension from the Plan:

- Pension earned before 1 January 2011 may be drawn from age 62 with no reduction for early payment
- Pension earned after 1 January 2011 will be reduced if drawn before age 65
- You must draw all your pension at the same age

**If you wish to enquire about drawing your pension before age 65, contact the Plan Administrator. You can also use the online tools on the Pension Portal to see the amount that your pension would be if drawn at different ages.**

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## State Integration Element of Lilly Plan pension:

- If you have drawn your pension early — before age 65 — you will have an element of your pension called the State Integration Element
- This is paid until age 65 irrespective of your State Pension age, which may be later
- You can check the amount of your State Integration Element on the Pension Portal

**No action is needed — the Plan Administrator will write to you before your 65th birthday to remind you of this.**

## Your wishes and Trustee discretion:

For all our active members of the Plan, valuable death-in-service benefits are provided. If you die in service, the death-in-service benefit is held in trust and the Plan Trustee must decide who to pay this to. Recording your wishes on the Expression of Wish form helps the Trustee make this decision. You can see who is named on your Expression of Wish form on the Pension Portal on myReward.

**We encourage you to check your Expression of Wish form and, if your wishes have changed, to download the form from the Scheme Documents section and return it to the Plan Administrator.**

For our retired members, or members yet to draw a pension, your spouse or civil partner is entitled to receive a pension on your death. The Plan Administrator will ask for evidence of your marriage or partnership.

The Trustee may also pay a pension to an adult dependant who had a financial relationship of mutual dependence with the member. The Plan Administrator will ask those processing your estate to confirm if anyone meets this test and will ask for evidence to support any request for a pension which may include your will and joint bills such as council tax. Whilst these enquiries may seem intrusive, the Trustee must have evidence to support its decisions and ensure that all who qualify as dependants will receive the benefits that are due from the Plan.

**No action is needed.**

## Board and Advisers

### **Scheme Actuary:**

Richard Gunton of  
Willis Towers Watson

### **Benefit Consultants:**

Willis Towers Watson

### **Independent Auditors:**

Ernst and Young LLP

### **Legal Adviser:**

CMS Cameron McKenna  
Nabarro Olswang LLP

### **Investment Consultants:**

Redington Limited  
(from 1 March 2023)

Aon Hewitt Limited  
(until 31 May 2023)

### **Investment Custodians:**

Northern Trust and Bank  
of New York Mellon

### **Investment Managers:**

Adams Street Partners LLC

Marathon Asset Management Limited

Morgan Stanley Investment Management Limited

Crestline Investors, Inc.

Russell Investments Group LLC

CBRE Global Investors (UK Funds) Limited

Schroder Investment Management Limited

Insight Investment Management Limited

Hewitt Risk Management Services Limited (HRMSL)

DIF Management B.V.

DRC Capital LLP

ARES Management LP

Walton Street Real Estate Debt Fund II LP

M&G Investments

GreenOak Real Estate Advisors LLP

Alcentra Limited

Taconic Capital Advisors LP

Kohlberg Kravis Roberts & Co. LP (KKR)

CVC Capital Partners

### **Investment Platform for AVCs:**

Aegon UK plc





## Contact Details

### Plan Administrator

Buck Consultants Limited

Phone: 0330 123 9591

Email: [elililly@buck.com](mailto:elililly@buck.com)

Address: Eli Lilly Group Pension Plan  
PO Box 319  
Micheldean  
GL14 9BF

Website for retirees and deferred members: [elilillygroupensionplan.co.uk](http://elilillygroupensionplan.co.uk)

# Eli Lilly Group Pension Plan

## Trustee Report 2022