
Executive Director's Report



As I write this in March 2009, I have just returned from a series of annuitant luncheons sponsored by the Ministers and Missionaries Benefit Board (MMBB). It's a great time to renew acquaintances and break bread with people who have dedicated themselves to serving Christ.

I always make a brief presentation about what's new at MMBB, and this year was no different. What was different, given the state of the economy, was the message and the extraordinary response of our annuitants.

First, people took notes. I can tell you that's never happened before. It was clear that our members are, quite legitimately, concerned about their future and MMBB's.

My approach is to level with people, and that's what I did. "Just like you," I told them, "MMBB is feeling the effects of the stock market decline and the recession. But we are optimistic. Our diversified investment portfolio insulated us from the full impact of the market's rapid plunge. We are disciplined. We remain focused on the long-term. We have a strategy, and we are implementing it."

This is when an amazing thing happened. People got up and thanked me. They thanked me for the straight talk. They thanked MMBB for being there. And then they prayed for me and for MMBB. It was a humbling experience.

The annuitants' response also brought home to me the importance of focusing on our mission: providing superior

benefits and personalized service with compassion, efficiency and justice. People's lives depend upon it. We must continue to focus on the three things that undergird our mission: growth, both in accounts and assets; member satisfaction; and cost control. During times of economic stress, it is more important than ever to keep our focus sharp.

GROWTH

The economic downturn made 2008 a difficult year in terms of asset growth. MMBB's assets were hit with the same storm that all investors faced during 2008. The net market value of MMBB's total assets declined 30% in 2008 to \$1,905,895,000.

In terms of our investment results, only the Money Market Fund and U.S. Bond Fund, with no exposure to the equity markets, posted positive returns. MMBB's U.S. Blended Equity Fund, Social Awareness Fund, U.S. Equity Index Fund and International Blended Equity Fund, each of which is nearly 100% invested in equities, were hit the hardest, in line with their respective benchmarks. The Balanced Fund and the New Horizons Fund, which span equity, fixed income and alternative investments, also declined, but outperformed the equity-only options. These two funds significantly outperformed the Dow Jones Industrial Average and the NASDAQ. The Balanced Fund and New Horizons Fund fell 29% and 25% respectively in 2008, compared with declines of 34% and 40% for the Dow and NASDAQ.

// MMBB RECOGNIZES THAT OUR MEMBERS
HAVE ENTRUSTED US WITH THE CARE OF
THEIR SAVINGS. //

With the oversight of our Finance Committee and chief investment officer, MMBB's investment managers continued a disciplined approach to investing assets, including diversification across asset classes, among styles within asset classes and among various external managers. To learn more about how MMBB is responding to the investment climate, see the Investment Review beginning on page 18.

MMBB's efforts to expand our membership base paid dividends again in 2008. We exceeded our goal and opened nearly 1,000 new accounts. We also added \$6.1 million in new assets from rollovers. Membership growth will remain a central focus for MMBB in 2009 as we seek to extend critical retirement, health, death and disability benefits to all eligible ordained and lay members.

Because of our personalized service, our solid track record of investment returns and the benefits of our retirement plans, many retirees keep part or all of their accounts invested with MMBB after they retire. Of the 237 people who retired in 2008, 106 converted 100% of their account balance to an annuity. Of the remaining 131, 39 chose to keep the total account balance invested with MMBB after retirement; 20 withdrew part of their account and kept the rest invested with MMBB; and the remaining 72 persons withdrew their entire account.

The annuity unit payout value was also affected by the economic downturn. MMBB's variable annuity allows

investment returns to flow through to our annuitants. Indeed, for the 10-year period from January 1, 1999 to January 1, 2009, annuity payout values increased 20.7%, a return that exceeded the pace of inflation. The 2009 annuity payout value will be \$80.24, a 5% decrease from 2008. For more information on the annuity payout value, see page 19.

While a 5% decrease may be small when compared with the drop in the stock market, it is large for many MMBB members. Through our endowment, MMBB provides assistance for medical and other financial emergencies to eligible members. In 2008 MMBB distributed more than \$4 million to American Baptist ministers, missionaries and lay employees of ABC churches and related institutions. Other retirement plans—even most other church benefit plans—do not have endowments that allow them to provide such a level of support. If you need help, please call us at 800.986.6222 or email service@mmbb.org.

SATISFACTION

Every even-numbered year since 1998, MMBB surveys our members and annuitants, as well as the churches and church-related institutions that sponsor our plans for their employees, to see how well we are meeting their expectations. In the 2008 survey, 92% of MMBB members agreed or strongly agreed with the statement "Overall, I am satisfied with MMBB's service." For churches and church-related institutions with which MMBB partners, the number is 90%.

AS YOU LOOK AT THE 2008 MMBB ANNUAL REPORT, YOU'LL NOTICE TWO MAJOR CHANGES.

- The Annual Report includes a summary of a conversation on the economy and MMBB's response to it between MMBB Finance Committee Chair William Cobb, MMBB Executive Director Sumner Grant, MMBB Chief Investment Officer Candace Cox and MMBB investment consultant Ellen Petrino.
- The Gifts section of the Annual Report, which recognizes those whose generous contributions, both past and present, make MMBB's ministry possible, is now a separate publication. This change is designed to give more prominence to this work. Called *Heritage of Sharing*, the program will encompass the Heritage of Sharing Annual Appeal, President's Legacy Circle and other gifts.

While we are pleased with these results, we are not satisfied. The survey also points out the need to deepen our relationships with individuals and institutions that have recently joined MMBB. It also indicates the need to improve our efforts to educate members on their investment choices, financial planning and how MMBB benefits operate. These areas will be the focus of our improvement efforts moving forward.

In addition to the satisfaction survey, MMBB conducted a study of compensation practices among our church partners. In 2007 the overall average total compensation for lead pastors was \$50,768, according to the study. The data confirms that pastors continue to earn significantly less than professionals in comparable positions such as school principals and executive directors at nonprofit organizations.

The compensation survey shows that many churches have adopted MMBB's recommendations about how to calculate a pastor's total compensation. Nearly two-thirds (64%) of churches provide a Social Security offset. More than a third (36%) of churches base their compensation on cash salary, housing allowance and Social Security offset. Three-quarters of churches (74%) provide medical coverage for their lead pastor. A report of MMBB's survey results is available on our Web site, www.mmbb.org.

COST CONTROL

MMBB recognizes that our members have entrusted us with the care of their savings, and that trust informs, at the

deepest level, the management of all our funds. MMBB currently charges 40 basis points (0.4%) to support administration.

We are able to keep the fee this low for three reasons. First, I ask our staff to always consider ways to work more efficiently—and they continue to find new ways to improve cost-effectiveness. Second, we use our endowment to support critical programs. And last, but certainly not least, MMBB's membership campaign is gaining traction. As our membership and assets grow, the cost of our operation can be spread over a broader base.

The year 2008 will be one for the record books. We will be dealing with the fallout from this tumultuous year for several years to come. When we look back, I predict that our members, annuitants and church partners will say that MMBB was prepared. That we acted prudently and quickly to respond to the new environment. That we met our obligations and extended assistance to those in need. That we held up our primary mission—superior benefits and service to you—with strength and commitment.



Sumner M. Grant
Executive Director