

MINUTES
(Pending)

BOARD OF DIRECTORS
The Lutheran Church—Missouri Synod
Crowne Plaza Airport Hotel, St. Louis — May 16–17, 2013

161. Call to Order, Opening Devotion, Approval of Agenda

Chairman Robert Kuhn called the meeting to order and called on Michael Kumm, devotion leader for the meeting, to provide the opening devotion. In the absence of Secretary Raymond Hartwig due to a schedule conflict, Kurt Senske was asked to take the minutes of the meeting.

After Chairman Kuhn called attention to the agenda for the meeting, a motion to adopt the May 16–17 Board of Directors Agenda was introduced and carried.

162. Officer Reports

A. President

President Matthew Harrison began his report by expressing his thankfulness for his staff, their collegiality, and the work that they are doing. With the financial trends continuing to move in the right direction, the President's Office and staff are busy preparing for the convention and are comfortable with how plans are progressing.

The President referred to his written report (pp. 13ff, attached to protocol copy of these minutes), stating that overall, the Synod continues to be calm, with the Newtown controversy settling down and, from his perspective, being over. He provided an update on the upcoming floor committee meetings and noted that Synod entities in general are doing well. David Fiedler is settling into his new position as LCMS Foundation President. LCEF is moving forward with its plans to create a separately incorporated credit union to serve the membership of the Synod.

Referring to a recent statistical report that he requested, the President noted that it has become increasingly clear that the primary reason that the LCMS is losing members is due to the demographic make-up of its members. LCMS members are marrying later and having fewer children. The west and east coasts and urban areas are experiencing the most rapid decline. Areas such as the Dakotas, Florida, and Texas are holding their own. The efforts of the President's Office to conduct extensive demographic research are directed toward obtaining a better understanding of cultural changes and to separate myth from fact, since these changes are having significant ramifications for congregations and clergy.

President Harrison also referenced a recent Pew Foundation study, noting that one in five individuals in the U.S. has no religious affiliation (one in three for persons under 30)—this compared to one in sixteen in the past at the time of the “greatest generation.” He noted that there are some positives for the LCMS, which continues to do better than most church bodies when its members are polled and asked, “Do you like your church?”

The President noted a concern in that there is no uniform way for gathering financial information from the Synod's districts. His office is looking for ways to enhance information-sharing and communication between and among districts and the Synod. When good information is not gathered and recorded, the

departure of leadership and staff results in a lack of institutional memory, with the result that the Synod collectively does not know which programs have worked and which have not.

After concluding his report with remarks regarding the good work and collegiality of the Board of Directors during the past triennium, he responded to concerns expressed by several board members regarding the apparent friction between the Concordia University System (CUS) Board of Directors and the presidents of the Concordia colleges and universities and of consternation over governance issues and issues pertaining to how future presidents of the Concordias are chosen. President Harrison spoke of his focus on the schools retaining their Lutheran identity and of his confidence that the schools are doing so. He spoke of a recent productive meeting with several of the schools' presidents and noted that the question of how the CUS and the Synod can collectively come up with measurable criteria for measuring Lutheran identity is beginning to be discussed.

The President also spoke of envisioning a university system that will enhance the efficiencies and effectiveness of all of the colleges and universities, and of considering the creation of a task force to sort through the various CUS issues to determine the best governance structure for CUS going forward. In response, board members encouraged him to appoint a task force to conduct a global review of the Concordia University System for the purpose of enhancing their mission.

President Harrison concluded his remarks by publicly thanking Rev. Herbert Mueller and Rev. David Maier for allowing their names to stand in nomination for LCMS President.

B. First Vice-President

After referring to his printed report (pp. 16f, attached to the protocol copy of these minutes), First Vice-President Herbert Mueller reported that his time and attention have been primarily focused on two areas: convention preparation and the colloquy program. He provided a detailed description of how the latter works, noting the benefits that those who successfully complete the program bring to the Synod. He stated that what is most rewarding about this work is the interest of these men of God in wanting to be a part of our Synod. He noted that an applicant must always be sponsored by a district president.

C. Chief Administrative Officer

After Chief Administrative Officer Ron Schultz called attention to his written report (pp. 20ff, attached to the protocol copy of these minutes), he described the new process of communication for how powers of attorney are issued for LCMS work in foreign countries. He noted that there continue to be occasional challenges with some of the Synod's international locations, but he is working on ensuring that everyone is on the same page going forward.

The LCMS is realizing a significant spike in legal costs relating to its international activities handled by legal representatives and staff, which will most likely result in legal expenses exceeding budget for this fiscal year. Planning for the future includes efforts to determine if this is a one-time spike or whether the budget will require adjustment for the coming year.

He reported that expenses associated with the election of the President, both in terms of dollars and person hours, is exceeding what was originally anticipated. While the stated goals behind amending the presidential election process remain valid, the question becomes whether the enhanced voting process is worth the additional cost. While it will be possible to streamline the process to some extent in the future, there will continue to be extra costs because of the nature of the process.

D. Chief Financial Officer

Chief Financial Officer Jerry Wulf called attention to specific items in his written reports (pp. 27ff, attached to the protocol copy of these minutes). He explained that the operating budget has increased significantly for the next fiscal year, primarily due to the inclusion of convention and youth gathering financial activity. Unrestricted bequest revenue continues to trend above expectations, while district giving is somewhat lower (the percentage of decrease less than previous years). Regarding the former, \$2.48 million has been received in unrestricted bequests during the current fiscal year, with an additional \$5 million received in temporarily restricted bequests.

He reported that through March, the LCMS spent 80 percent of its resources on programs, “an improvement over previous years.” He noted, however, that in April this percentage had decreased to 71 percent. LCMS fundraising costs related to gift, grant, and bequest income came in at 13.4 percent.

He also provided explanation of the “Statement of Financial Position” and estimated that the LCMS has 75 days of cash on hand. Unrestricted net assets have improved from a negative \$9 million last year to a negative \$4.5 million as of April 30, 2013—a significant improvement. There is also \$4 million in board designated funds that could, if the board so decided, be used to offset the remaining deficit.

E. Chief Mission Officer

Chief Mission Officer Greg Williamson called attention to his written report (pp. 65ff, attached to the protocol copy of this report) and updated the board on the status of parochial schools in the Synod. Referring also to recent visits to a number of Concordia University System campuses, he expressed admiration for the work that is being done throughout the Synod’s Lutheran school system.

He also reported that the various leadership teams that have been created within the Synod (Operations Team, Administrative Team, unit executives) continue to jell and work well together; also expressing his appreciation for how the leadership of the Synod is developing.

163. Legal Report

As the board prepared to receive a report from legal counsel, Sherri Strand of Thompson Coburn, a motion to move into executive session was introduced and carried.

163X. Executive Session I

After the board returned to open session, it continued its officer reports with the report of the Chief Financial Officer (see Item 162 above).

164. Mission Advancement Fiscal Year 2013/2014 Plan

Mark Hofman, Executive Director of Mission Advancement, appeared before the board to speak of his department’s next fiscal year mission advancement plan. He began by sharing lessons learned during the current year:

- Still forced to improvise but getting better
- Identified weak/weaker areas in advancement
- Account for the unpredictable (Sandy, Newtown)

- Strong need for structure (policies, procedures, training, team-building)
- True marketing expertise largely absent

He reminded the board that success in fund-raising requires symmetry, a balance between four aspects: the donor, the gift, the case, and the solicitor. He shared his fund-raising expectations for the coming fiscal year as well as the various ongoing campaigns and initiatives that are underway (Lutheran Malaria Initiative, The Wittenberg Project), with an anticipated gross cost ratio for raising funds for the coming year of 17.3 percent, not including bequests. His department's overall fundraising goal for operations for the next fiscal year will be \$28,817,000, an increase of \$3,549,000 over the current fiscal year.

He spoke of his department's initiation of a strategy that allows for agility in the use of resources and will fulfill the Synod's strategic intent. Depending upon the potential amount of a gift as well as the type of approach such as direct mail, major gifts officer meetings, etc., a strategy will be used that will best target the need as well as the donor.

For fiscal year 2013/2014, Mission Advancement is focused on more effective case articulation and marketing, staff coaching and professional development, approved policies and procedures, donor retention and recruitment, heightened mid-level donor attention, consistent post-gift stewardship, and an inaugural LCMS Annual Report.

Challenges include improving harmony and collaboration within the Synod. When the Synod is not in harmony as a result of infighting, this has an impact on fund-raising. Also included among challenges to be faced is donor fatigue and burnout. Ultimate goals include increased donor confidence, increased unrestricted and where-needed-most giving, and increased net revenue.

165. 2013/2014 Mission and Ministry Operating Budget

Chief Financial Officer Jerry Wulf and Executive Director of Accounting Charles Rhodes presented the proposed 2013/2014 Mission and Ministry Operating Budget, using a PowerPoint presentation to provide an overview. Mr. Rhodes also educated the board on the details of the undesignated support budget and specific items in the proposed operating budget. He and Chief Financial Officer Wulf then responded to questions from board members generated by their presentation.

The board was informed that the Synod had been recently notified by Concordia Plans regarding the likelihood of a more significant rate increase than anticipated in the proposed budget, the increase to begin January 1, 2014. It was proposed by the Chief Financial Officer that the board concern itself with the current budget proposal for now, not reflecting any Concordia Plans increases, with the understanding that he will come back to the board at its September meeting with a more complete update.

The board continued discussion of the proposed operating budget until a motion was introduced and seconded to approve the budget as proposed. An amendment was introduced to amend the second resolve paragraph, changing its wording from "That the Board of Directors allow non-material deviations to be made by the Chief Financial Officer to set final budget consistent with the intentions of a surplus/balanced budget" to "That the Board of Directors allow non-material deviations (defined as less than .5% of the total spending plan), to be made by the Chief Financial Officer to set final budget consistent with the intentions of a surplus/ balanced budget." The amendments carried. The motion as amended was then approved by the board as follows:

Resolved, That the Board of Directors approve the 2013/2014 Mission and Ministry Operating Budget, as follows:

Total Spending Plan	\$ 81,762,189
Total Revenue (Source of Funding)	<u>81,813,803</u>
Surplus (Deficit)	\$ 51,614

And be it further

Resolved, That the Board of Directors allow non-material deviations (defined as less than .5% of the total spending plan), to be made by the Chief Financial Officer to set final budget consistent with the intentions of a surplus/ balanced budget.”

2013/2014 Mission and Ministry Operating Budget

Programs	<u>2013/2014</u>	<u>2013/2014 Revenue</u>		
	Total Expense Budget	Materials & Services	Restricted & Bd. Designated	Undesignated Revenue
Office of International Mission	\$ 27,921,812		25,592,465	1,329,348
Pastoral Education	3,672,176	102,000	2,542,201	1,027,975
University Education	3,651,773			3,651,773
Office of National Mission	9,364,127	456,754	8,398,449	508,924
*Youth Gathering	7,426,713	7,405,900	69,000	(48,187)
Communications	3,912,074	446,839	1,018,946	2,446,289
KFUO	1,546,225		1,337,000	209,225
Mission Advancement	<u>6,015,831</u>		<u>5,917,806</u>	<u>98,025</u>
Total Programs	63,510,732	8,411,493	45,875,867	9,223,372

Ecclesiastical Services/Commissions

Commission On Constitutional Matters	14,100			14,100
Commission On Handbook	10,500			10,500
Commission On Theol. & Ch. Relations	683,002			683,002
Conflict Resolution	145,000		110,000	35,000
Convention Committees/Task Forces	50,000			50,000
Rosters and Statistics	451,004	63,595		387,409
Church Relations	<u>3,365,556</u>	<u>20,000</u>	<u>2,811,620</u>	<u>533,936</u>
Total Eccl. Services/Commissions	4,719,162	83,595	2,921,620	1,713,947

Synod Officers/Administration

President & Vice-Presidents	1,751,841	8,500	363,000	1,380,341
Secretary	409,093			409,093
Board of Directors	80,903			80,903
Board for International Mission	32,000			32,000
Board for National Missions	30,000			30,000
Council of Presidents	140,100			140,100
Chief Administrative Officer	347,412			347,412
Chief Financial Officer/Treasurer	308,979			308,979
Chief Mission Officer	553,694		168,323	385,371
Concordia Historical Institute	460,000			460,000
*Synod Convention	2,295,063	2,295,063		
Circuit Counselors Conference				
Contingency	<u>319,719</u>			<u>319,719</u>
Total Synod Officers/Admin.	6,728,804	2,303,563	531,323	3,893,917

General & Administrative

Property and Insurance	442,187			442,187
External Audit	120,000			120,000

Internal Audit	855,982	280,000		575,982
Accounting	2,188,104	308,175		1,879,028
State/Federal Tax Reporting	151,043	17,600		133,443
Legal	535,000			535,000
Information Technologies	4,438,186	684,693		3,753,493
Human Resources	1,187,559	550,742	40,000	596,817
General Services	3,780,339	1,375,319		2,405,020
Interest	147,000	203,000		(56,000)
Foreign Exchange	(1,000)			(1,000)
Total General & Administrative	14,044,399	3,419,530	240,000	10,384,869
Adjustments				
Contra-Expense Adjustment	(7,240,954)			(7,240,954)
Unallocated G & A Expense	47			47
Net Adjustments	(7,240,907)			(7,240,907)
Total	\$ 81,762,189	14,218,181	49,568,809	17,975,199

Projected Unrestricted Revenue	\$ 18,075,000
Board Designated Youth Gathering	(48,187)
Net Unrestricted Revenue to Fund Operations	<u>\$ 18,026,813</u>
Surplus/(Deficit)	\$ 51,614

*Youth Gathering and Synod convention occur every three years.

166. 2013/2014 Capital Budget

Executive Director of Accounting Charles Rhodes presented the proposed 2013/2014 Capital Budget. After he responded to questions, the following resolution was introduced and adopted:

Background

Board of Directors policy requires all Synod departments to submit their requests for capital items as a separate annual budget for approval. The Chief Financial Officer has identified the source of funding to be general corporate cash or capital debt, as necessary. Departments and other corporate entities are charged for the capital acquisitions over the economic life of the asset via depreciation. The capitalization level is \$5,000. All items with a purchase price above \$5,000 and a useful life of longer than one year or an aggregate amount above \$5,000 when purchased together are capitalized.

Resolved, That the Board of Directors approve the 2013/2014 capital budget requests totaling \$1,253,974 as shown, with funding provided by general corporate cash, capital debt, restricted funding, or through allocations to other corporate users.

2012/2013 Capital Budget

KFUO Radio	Transmitter/Tower Building	\$ 111,000
Information Technologies	PC/Mac Purchases	\$ 241,920
	Desktop Printers	11,950
	Desktop Scanners	13,960
	Network Printers	15,500
	Projects/Infrastructure	92,313
	Software	7,500
International Mission	Angel Dormitory – Cambodia	\$ 400,000

Board of Directors	Eight iPads	\$ 6,555
General Services	Replace Chairs in Common Area	\$ 37,310
	Improvements to Common Area	42,596
	Upgrade Annex	30,267
	Upgrade Walther Room	13,453
	Upgrade Rooms 326-327	32,822
	Copier/Folding Machine	46,000
	Annual Non-Specified Projects	<u>150,000</u>
Total Capital Budget		\$ 1,253,974

167. Floor Committee and Convention Information

Chief Administrative Officer Ron Schultz provided information regarding convention floor committees and Board of Directors members' responsibilities.

168. Committee Reports

A. Audit Committee

Audit Committee Chairman Curt Pohl reported on behalf of his committee. During its May 15, 2013 meeting, the committee received the "Annual Financial Report for the Fiscal Year Ending 2012 of Concordia University System and LCMS Seminaries." Chief Financial Officer Jerry Wulf also reported on the process being used for supervisor accountability for purchase card unapproved transactions.

The committee, in response to 2010 Res. 8-40 "To Perform Final Audit of Outgoing Boards and Administration," noted the report from the Internal Audit Department of its Administration Audit completed in 2010 and reported to the Board of Directors at its November 2010 meeting. The conclusions of the audit were as follows:

Based on the above testing performed, we determined the temporarily and permanently restricted net assets of the former program boards were reassigned and in most cases appropriately classified in the new mission and ministry areas within the Synod's financial accounting and reporting systems. In addition, the overall processes and methodologies used to reassign the donor-restricted funds were reasonable and logical. However, we believe improvements could be made in documenting and supporting the restrictions on permanently restricted Synod-owned endowments. In addition, we questioned the classification of a few permanently restricted endowments in the new chart of accounts based on the donor-restricted purposes of the endowments.

Management has responded to and is addressing two observations included in the report. The Audit Committee will be recommending that the new Audit Committee request that Internal Audit do a follow-up review of all temporarily and permanently restricted net asset accounts. Per the resolution, the Board of Directors has received a copy of this report.

Internal Audit Executive Director Joann Spotanski informed the Audit Committee that eleven of twelve district audits performed by her department have been completed, all receiving unqualified audits. Four of the 23 Synod districts that use other external auditors have submitted their reports to date. She also reported that all but two of her department's 2012/2013 objectives will be met.

Chairman Pohl reported that his committee also considered submitting to a convention floor committee a proposal for a fund-raising campaign to address the Synod's debt situation but decided that it wasn't ready to make such a proposal at this time. One idea discussed was the creation of a \$40 million

campaign, with \$10 million to go to national programs, \$10 million to international programs, and \$20 million to offset the indebtedness. Another idea suggested was a board and staff retreat during the next triennium to discuss the long term financial future of the Synod and initiatives that could be implemented to solidify the Synod's financial situation going forward. After discussion, there was agreement that it would be a good use of time for the newly convened board to engage in a comprehensive planning process that would create a strategic funding vision for the next three to five years.

B. Personnel Committee

Personnel Committee Chairman Donald Muchow provided his committee's report, detailing his committee's recommendations for the various positions to be filled by appointment by the board during the current meeting. He also expressed appreciation to the eleven board members that provided performance evaluations of the Chief Administrative Officer and the Chief Financial Officer, noting that his committee is "grappling with rather limited input" when doing these evaluations. He offered some suggestions in addition to requesting that the full board determine the amount/percentage of bonus (if any) each might receive before July 1, 2013.

His report also included mention of his committee's "growing concern regarding the disparity in compensation and bonus packages between Concordia Plan Services and Synod workers," noting that the "optics of the disparity, if unaddressed, could lead to resentment or other negative responses" affecting morale within the International Center and even across the Synod. The committee's recommendation is a meeting within the next six months sanctioned by the Board of Directors composed of the personnel committee chairmen and the chairmen of both boards. The intent would be to ensure mutual understanding of the issues and possible ameliorating actions. The same might also be done with other Synod entities where compensation and bonus disparities may be becoming evident.

Committee Chairman Muchow concluded his report with words of thanks to the members of the board for their help and for the privilege of serving the board and the Synod for the past three years. Discussion followed, during which the content of the Personnel Committee report was given further attention and the following actions were taken.

The committee having reviewed the biographical and evaluative materials of eight candidates for the four open lay positions on the Concordia Plans Services Board of Trustees and having recommended the appointment of four of the individuals to the three-year positions, a motion was introduced and carried "to appoint George Nolde III, Carol Reineck, Judy Strombeck, and James Jaacks to the four three-year lay positions on the Concordia Plan Services Board of Trustees."

The committee having reviewed four clergy candidates for one ordained position on the Concordia Plans Services Board of Trustees and having recommended the election of Rev. George Black or Rev. John C. Kaiser, the board by an 8 and 6 ballot vote elected Rev. John Kaiser to the position.

The committee having reviewed six candidates nominated to fill one position on the National Lutheran Housing Support Corporation Board of Directors and having recommended the election of Robert Chappell or Claudia Frese, the board by a 14 and 0 ballot vote elected Robert Chappell to a two-year term (with eligibility to serve two additional three-year terms).

With the elections completed, a motion was introduced and carried to destroy the paper ballots.

As reported by the committee, David Fiedler having left his General Services Department position to accept the presidency of the LCMS Foundation, his earlier appointment to serve if needed as interim Chief Administrative Officer is no longer feasible. Upon recommendation of the committee, a motion was

introduced and carried “that Val Rhoden-Kimbrough be appointed to serve as interim Chief Administrative Officer in the event that the position becomes vacant.”

In the time remaining, the board discussed the disparity of compensation and bonus packages issue raised by the committee in its report.

C. Governance Committee

Governance Committee Chairman Kermit Brashear reported on behalf of his committee. He called the board’s attention to an action item advocating change to current Board of Directors Policy 4.9 “Board of Directors’ Executive Limitation on International Center Facilities.” After its introduction by the committee, the following resolution was adopted as presented:

Background

The Facilities Management Board (FMB) was originally created in 1988 when the north addition to the 1333 building was built. At that time, the FMB was charged with managing the building and property at 1333 S. Kirkwood Road. In 1998, the LCMS Foundation and the Lutheran Church Extension Fund—Missouri Synod purchased and moved into 10733 Sunset Office Drive, across the highway from the 1333 building. Soon thereafter, the duties of FMB were expanded to include the management of the International Center Properties (1333 and 10733) and the management of shared services (travel and meetings, purchasing, copy/mail services, etc.). With the added responsibilities for the joint services, the FMB became the Facilities and Services Management Board (FSMB).

Since that time, significant changes in operational needs, technology, and cost of services have made it advisable for the group to reevaluate the management of the services and the methods for sharing costs.

At its October 2012 meeting, the FSMB voted to revert to the old model where the services would be managed and delivered by LCMS with the costs shared using agreed-upon metrics. The metrics for 2013/2014 are expected to follow closely the models used for the past years. The key difference is that sole management of these services will revert back to the LCMS, which has had continuing responsibility to employ and manage staff but not necessarily to set direction and services levels. The other IC entities will determine their desired level of partnership in the various services.

The LCMS Administrative Team also discussed the LCMS representation on the proposed Facilities Committee. It is recommended that the Board of Directors identify the Chief Mission Officer as an additional non-voting representative of corporate Synod.

Finally, the FSMB at its January 2013 meeting agreed that the executive director of general services would no longer be appointed by the group. Employment decisions, including selection, would revert solely to the LCMS. It was further suggested that a change in the name of the group be considered.

Resolved, That the Board of Directors approve the following new version of Board Policy 4.9:

4.9 Board of Directors’ Executive Limitation on International Center Facilities

The board, as well as other owners of the International Center, has delegated to the International Center Facilities Committee responsibility for the operation of the LCMS International Center properties, the buildings, and any off-site leased facilities. The Chief Financial Officer is the Board’s representative on the Facilities Committee, which also includes representatives of the Lutheran Church Extension Fund—

Missouri Synod, the Lutheran Church—Missouri Synod Foundation, and Concordia Plan Services, who are appointed as voting members by the chief executives of those organizations. The Synod’s Chief Administrative Officer and Chief Mission Officer serve as advisory members.

The Facilities Committee, which is chaired by the Chief Administrative Officer, establishes policies and procedures for operating the facilities and establishes and monitors the budget(s) for the 1333 building. Management of other real property is the responsibility of the individual entity having ownership, subject to LCMS *Handbook* provisions. In carrying out these responsibilities, the Chief Administrative Officer shall:

- 4.9.1 Not allow changes to the International Center Protocol Agreement or authorize new buildings or space additions on the International Center properties of off-site leases without prior Board of Directors approval.
- 4.9.2 Allow only the representatives of an organization with a financial interest in a particular property to vote on budget matters associated therewith.
- 4.9.3 Not allow Facilities Committee or management policies that conflict with applicable law and that do not provide for the equitable sharing of costs of operating the International Center properties between the entities located therein.

Concluding his report, the committee chairman reminded the board of the new process in place for the next triennium for the appointment of new Board of Directors members, should the board determine that such appointments are necessary.

169. Risk Management Report

Denise Webb, Executive Director of Risk Management and Insurance, presented a “high level summary” of the results of the 2013/2014 master insurance program renewal for the Synod (and related insured entities) and Concordia University System, Inc. She reviewed her printed report (pp. 320–321, attached to the protocol copy of these minutes), which included results of the renewal process (a cost reduction of \$132,791, or 3%) and a comparison of recent work comp, property, automobile, and general liability losses with prior years. She responded to questions prompted by her report.

170. Concordia Plans Update

Jim Sanft, President of Concordia Plans Services, presented an update of the ongoing comprehensive rollout of the communication of the retirement plan changes previously shared with the board. He repeated the themes of the communication effort: (1) Changes are being driven by the external environment; (2) The primary interest is to “preserve the core”; and (3) A second primary interest is to “sustain the future.” In general there has been broad support and encouragement from throughout the Synod and an appreciation that the changes primarily affect non-core benefits or extras. While the Concordia Plans Services call center experienced an initial spike in activity, most calls have been attempts to understand the changes that will be made and how they might affect the caller personally.

He provided an update on health care reform, with Concordia Plans not intending any significant changes to its health plan for 2014 to allow LCMS employers and workers to avoid the anticipated chaos and confusion. There will be some changes to deductibles and copayments that will provide some relief for rate increases. Concordia Plans is also continuing its lobbying efforts with Church Alliance to expand exemption for religious organizations to all Concordia Plans participants, while also seeking access to federal subsidies.

Looking forward, he noted that the key risk for the Concordia Health Plan will be the dropping of coverage by ministries as they send their workers to the Exchange (or Marketplace). There will be

potential significant savings opportunities for some, though this will vary by state. Concordia Plans is positioning itself to allow such workers to remain in the Concordia Health Plan.

Going forward, Concordia Plans Services intends to continue its involvement with the Church Alliance (<http://church-alliance.org/home>) and also to continue to communicate more often with the ministries and workers it serves. Looking ahead, Concordia Plans is looking toward completely revising its product portfolio for 2015, as there continue to be un-served and under-served markets within the LCMS.

170. Annual Appointed Officer Reviews

As Chairman Robert Kuhn announced the subject of annual reviews of Chief Administrative Officer Ron Schultz and Chief Financial Officer Jerald Wulf, a motion was introduced and carried to move into executive session.

170X. Executive Session II

The board having exited executive session, it moved to its next item of business.

171. CUS Report

Interim Concordia University System (CUS) President Alan Borcharding provided an oral report, beginning with an update of the status of the Concordia University Wisconsin and Concordia University Ann Arbor affiliation agreement. The accrediting committee completed its last site visits, which appeared to have gone well. All that remains is “a few follow-up interviews.” After accreditation is approved, it is anticipated that the final documents will be signed on July 1.

He also updated the board on the status of Concordia College Alabama (Selma). Conversation is ongoing regarding responsibility for recent flood damage. Planning is occurring regarding how best to strategically utilize and invest the recent significant unrestricted grant received by the school. Fundraising to finance ongoing renovations of the school continues.

A motion was introduced and carried to move into executive session for additional discussion of CUS matters.

171X. Executive Session III

Having exited executive session, the board moved on to its remaining business.

172. Action Items

A. Creation of Legal Entity in Republic of Singapore

This action item to authorize and approve the creation of a legal entity in the Republic of Singapore was introduced by Chief Mission Officer Greg Williamson and Chief Administrative Officer Ron Schultz. After discussion, the following resolution was moved, seconded, and adopted:

WHEREAS, The Lutheran Church—Missouri Synod (the “LCMS”) has determined that it is desirable to establish a legal presence in the Republic of Singapore (“Singapore”) in the form of a Company Limited by Guarantee (the “CLG”) under Singapore law support and facilitate better the work of the LCMS in the Southern Asia and Oceania Region; and

WHEREAS, The Board of Directors of the LCMS (the “BOD”) has the authority, pursuant to Sections 5.8.5 and 5.8.6 of the LCMS Board of Directors Policy Manual (the “BOD Policy”), to approve new corporations as agencies of the Synod and to “authorize and approve the establishment of legal entities in foreign countries, as it deems necessary or appropriate, for the purpose of establishing, facilitating, and/or operating foreign missions”; and

WHEREAS, The Lutheran Church—Missouri Synod in convention adopted Resolution 4-11 (“Res. 4-11”) in 2004 establishing certain requirements to be included in the governing documents of incorporated agencies, which resolution allows that certain provisions may be altered or deleted with the approval of the BOD; and

WHEREAS, The LCMS Chief Mission Officer, in coordination with the LCMS Chief Administrative Officer, recommends to the BOD that the CLG be established in Singapore pursuant to the BOD policy, and the Chief Mission Officer, on advice of the Chief Administrative Officer and legal counsel, has assured the BOD that such entity shall be a properly authorized, valid, and operating legal entity in Singapore and that its establishment and operation by the LCMS will not violate the laws of Singapore, as shall be evidenced by an opinion of local or special counsel engaged for the purpose of forming such entity, and that such opinion, as well as the governing documents of the entity in Singapore, shall be reviewed and approved by LCMS general counsel to ensure compliance with the BOD policy; therefore be it

Resolved, That the Board of Directors of the LCMS does hereby pledge and agree as follows:

Section 1. Authorization and Approval of Establishment of a CLG in Singapore. The establishment of a Company Limited by Guarantee pursuant to the laws of Singapore to provide administrative support for charitable projects in the Southern Asia and Oceania Region in fulfillment of the foreign mission policies and purposes of the Synod including the advancement of public health and public health care, education, development, public welfare, religious, missionary, and humanitarian purposes in the Southern Asia and Oceania Region, as needed, in compliance with BOD policy, is hereby authorized and approved.

Section 2. Authorization and Approval of Documents. In connection with the establishment of a CLG in Singapore pursuant to this resolution, the execution and/or filing of the Memorandum and Articles of Association, in substantially the form as the draft attached as an exhibit to this resolution [Exhibit A, attached to the protocol copy of these minutes] and with such changes therein as may be approved by (a) the Commission on Constitutional Matters (“CCM”) of the LCMS after its examination of the documents pursuant to Section 3.9.2.2.3 of the LCMS Bylaws; (b) the general counsel of the LCMS pursuant to the BOD policy; and (c) such other employees of the LCMS as shall be charged with reviewing such documents for and on behalf of the LCMS, is hereby authorized and approved. The BOD hereby acknowledges that certain of the language otherwise to be included in the documents pursuant to the BOD policy and Res. 4-11 has been altered and/or omitted because such language was either not permitted or potentially problematic under relevant Singapore law, and the BOD hereby approves of such alternations and omissions.

Section 3. Further Authority. The Chief Administrative Officer is hereby authorized and responsible to engage officers, agents, and employees of the LCMS to take such further action, and to approve and execute such other documents, certificates, and instruments as may be necessary or desirable to carry out and comply with the intent of this resolution, including, but not limited to (a) the review by the CCM and the general counsel of the LCMS of the governing documents of the CLG in Singapore, to verify compliance with the BOD policy (subject to the exceptions set forth in Section 2 above), including that the LCMS retains majority control over the appointment or election of the members and/or directors who are responsible for the management of the CLG and that its stated

purposed are in fulfillment of the LCMS' foreign mission policies and purposes; (b) the filing of such documents with the appropriate governmental authorities in Singapore; and (c) the filing of such additional documentation with the appropriate governmental authorities in Singapore as shall be necessary for the CVLG to function in Singapore, including applying for visas for LCMS and CLG employees, seeking certain tax benefits for the entity and its employees, and such other matters as the Board of Directors of the CLG shall determine to be in its best interest.

Section 4. Appointment. The Lutheran Church—Missouri Synod Board of Directors appoints the Synod's Chief Administrative Officer as an observer at CLG directors' meetings pursuant to the CLG Articles of Association.

Section 5. Delegation of Appointments. The Lutheran Church—Missouri Synod Board of Directors delegates to the Chief Mission Officer, in consultation with the Executive Director of the Office of International Missions, the responsibility to appoint from time to time (a) the directors of the CLG, and (b) a corporate representative to act on behalf of the LCMS as the Member of the CLG. The Chief Mission Officer shall report said appointments to the Board of Directors through the Chief Administrative Officer each time changes are made to the officers/board members of the CLG.

B. Delegation of Authority to Appoint Board Members of Concordia International—South Africa

After Ron Schultz called attention to the following proposed action to delegate authority to the Chief Mission Officer to appoint board members to Concordia International—South Africa, the resolution was formally introduced and adopted:

WHEREAS, The Lutheran Church—Missouri Synod Board of Directors previously approved the formation of and Bylaws for Concordia International—South Africa; and

WHEREAS, The Commission on Constitutional Matters has reviewed and approved the governing documents for Concordia International—South Africa with certain modifications now included; and

WHEREAS, The governing documents for Concordia International—South Africa require The Lutheran Church—Missouri Synod Board of Directors or its designee to appoint the honorary chairman and additional board members; and

WHEREAS, The activity of this new entity is designed to assist The Lutheran church—Missouri Synod's Office of International Mission and its regional office; therefore be it

Resolved, That The Lutheran Church—Missouri Synod Board of Directors delegate to the Chief Mission Officer in consultation with the Executive Director of the Office of International Mission the responsibility to appoint the honorary chairman and remaining officers pursuant to Section 9.02 of the Concordia International—South Africa Constitution; and be it further

Resolved, That the Chief Mission Officer shall report said appointments to the Board of Directors through the Chief Administrative Officer each time changes are made to the officers/board members of Concordia International—South Africa.

173. Adjournment/Closing Prayer

During the course of the meeting, Gloria Edwards announced that Rev. John Nunes will be leaving Lutheran World Relief (LWR) effective September 1, 2013, to assume the Emil and Elfrieda Jochum Chair at Valparaiso University. As chair of the LWR Board of Directors, she reiterated that LWR remains committed to retaining its close relationship with the LCMS. President Harrison reaffirmed the Synod's support of LWR.

With all business to come before the board attended to, a motion was introduced and carried to adjourn the meeting. Rev. Michael Kumm closed the meeting with prayer.

Kurt Senske, *Secretary pro tem*