

MINUTES

LCMS BOARD OF DIRECTORS LCMS International Center and Crowne Plaza Airport Hotel, St. Louis August 20–21, 2015

143. Call to Order and Devotion

Chairman Michael Kumm called the meeting to order with all members present for the meeting. He called on Chief Mission Officer Kevin Robson, who served as devotion leader for the meeting, to provide the opening devotion.

144. Adoption of Agenda

Chairman Kumm called the board's attention to the latest version of the printed agenda for the meeting and invited a motion to adopt it as printed. This motion was introduced and carried.

145. Adoption of Consent Agenda

Chairman Kumm called attention to the proposed consent agenda submitted by Chief Administrative Officer Ron Schultz and provided opportunity for requests by board members for removal of individual items from the resolution. There being no such requests, a motion to adopt the consent agenda resolution as submitted was introduced and carried, as follows:

WHEREAS, The Board of Directors has adopted a policy allowing for the use of a consent agenda; and

WHEREAS, The board policy reads

3.6.2 Consent Agenda

3.6.2.1 The board makes use of a consent agenda to expedite the conduct of routine business during board meetings in order to allocate meeting time to education and discussion of substantive issues.

3.6.2.2 The consent agenda should consist of routine matters that require board action. Typically, these items include approval of minutes, acceptance of officer and other written reports (excluding the quarterly financial/budget report), and acceptance of routine or noncontroversial action items.

3.6.2.3 The board chair shall be responsible to approve the proposed consent agenda for each meeting upon recommendation of the Chief Administrative Officer. The consent agenda shall be distributed with the meeting docket no less than one week prior to the meeting. The consent agenda will be presented to the board for adoption as soon as practicable after the opening devotion on the first day of the meeting.

3.6.2.4 Any item which appears on the consent agenda may be removed from the consent agenda by a member of the board. Items removed from the consent agenda will be considered at another time during the meeting as determined by the chairman. The remaining items will be voted on by a single motion. The approved motion will be recorded in the minutes, including a listing of all items appearing on the consent agenda.

Therefore be it

Resolved, That the Board of Directors herewith accept this consent agenda which includes the following (reports and action items attached to the protocol copy of these minutes):

- Officer Reports
 - Report of the LCMS President
 - Report of the LCMS 1st Vice-President
 - Report of the LCMS Secretary
 - Report of the Chief Administrative Officer
 - Report of the Chief Financial Officer
 - Report of the Chief Mission Officer

- Administrative Services Report
 - Information Technologies
 - Human Resources (confidential)
- Financial Services Reports
 - Accounting
 - Internal Audit
 - Risk Management and Insurance
- Board of Directors Committee Reports
 - Governance Committee
 - Personnel Committee
 - Audit Committee (did not meet prior to consent agenda resolution, no report)
- Action Items
 - Approval of May 15–16, 2015 Minutes
 - Approval of July 23, 2015 Minutes

And be it further

Resolved, That the minutes of this meeting reflect the acceptance of the reports and other items as listed above.

Before moving on to the next item on the meeting agenda, Chief Administrator Ron Schultz alerted board members to an anticipated upgrade of the BoardEffect software used by the board for its meetings. Chairman Kumm also introduced Rebekah Pratt, new assistant to Ron Schultz upon the departure of Brenda Wilson, who accepted a position at St. Louis University.

146. President Harrison District Convention Report

President Matthew Harrison began his report with personal comments regarding the recent fire in his home and its consequences for his family, all of whom escaped personal harm. He stated that although the fire caused major damage to house and contents, important personal possessions were not lost and, like all difficulties in this life, this experience is turning into a great blessing for his family.

He also provided a general report of the tone of the recent district conventions, calling them “extremely calm” and his presence at twenty-one of the conventions “well received,” indicative of a “very positive mood across the church.” He noted that some current issues in the Synod were surfaced at the conventions, often addressed in his Q & A sessions, but his report on the Synod’s finances and the findings of the demographic study he requested from the Rosters, Statistics, and Research Department of the Synod were consistently well received.

Following his report, President Harrison responded to questions from members of the board. A question regarding a dispute case involving ecclesiastical discipline prompted the introduction of a motion to move into executive session, which motion was carried.

The board remained in executive session also to receive a report from Concordia University System President Dean O. Wenthe pertaining to recent information received and an action taken by the Concordia University System Board of Directors pertaining to one of the Synod’s schools.

146X. Executive Session I

Upon its return to open session, Chairman Kumm called on the Chief Financial Officer for his financial report.

147. Financial Report

Chief Financial Officer Jerald Wulf called attention to his printed financial report (attached to the protocol copy of these minutes), highlighting a number of items in the report. He noted that at the end of the 2014–2015 fiscal year (FY15), the total assets of the Synod had decreased by approximately \$1.8 million, accompanied by a decrease in liabilities of \$5.2 million. Total revenues were \$64.1 million and expenses totaled \$63.6 million, resulting in a year-end surplus of \$.5 million. He also noted that on-going

deficit reduction efforts reversed slightly, largely due to the application of a new vacation-leave-accumulation policy.

148. Fiscal Year 2014–2015 (FY15) Year-End Financial Review

Executive Director of Accounting Ross Stroh presented a PowerPoint review of FY15 finances, comparing budgeted amounts to actual expenses, breaking down expenses of program units according to departments and noting sources of unrestricted income. His report concluded with more detailed information regarding KFUE-FM sale income projections and the Historic CUS Debt repayment schedule. (A copy of the PowerPoint presentation is attached to the protocol copy of these minutes.)

149. Legal Report; International Legal Report; Board of Directors Bylaws Review; Concordia Plan Services Retirement Plan Report

As Sherri Strand of Thompson Coburn LLC prepared to present her legal report, to be followed by Chief Administrative Office Ron Schulz's international legal report, a motion was introduced and carried to move into executive session.

Also during the executive session, the board's Governance Committee, assisted by legal counsel, presented a Bylaws review, and Concordia Plan Services provided a report of the positive status and prospects of the Concordia retirement plans.

149X. Executive Session II

After the board moved out of executive session, the next agenda item announced by Chairman Kumm also was introduced with a presentation by the representatives of Concordia Plan Services.

150. Authorization to Establish "CPS Ancillary Program Agency"

Concordia Plan Services Chief Executive James Sanft and board chairman Fred Kraegel provided a proposal for the establishment of a new corporation (entire content of presentation attached to the protocol copy of these minutes) which, as its subsidiary, will enable Concordia Plan Services to:

- fulfill more broadly its responsibilities as described in Synod Bylaw 3.7.1.2 (b), that is, to provide ancillary programs, including various supplemental insurance and administrative services programs;
- expand its currently limited offerings of such programs;
- provide a portfolio of quality products and services to ministries and workers without bearing actuarial risks;
- take advantage of current insurance industry distribution systems by obtaining appropriate insurance agency licensing;
- capture revenue streams (commissions) that are priced into the products and otherwise payable to another entity or retained by the insurance company. The revenue, in turn, will offset Concordia Plan Services' administrative expenses; and
- utilize commission revenue in excess of expenses incurred in the establishment and delivery of such programs to further offset administrative expenses currently borne solely by the Concordia Plans.

The Concordia Plan Services representatives were thanked for their presentation. The Board of Directors then discussed the following resolution, which was formally introduced and carried (its Exhibits A and B,

the Articles of Incorporation and Bylaws of the new agency, already reviewed and approved by the Synod's Commission on Constitutional Matters, are attached to the protocol copy of these minutes).

Background

Concordia Plan Services (CPS) continually evaluates the portfolio of products that it manages, in response to the growing financial challenges facing the ministries it serves and the needs of its plan members. For January 1, 2016, CPS has indentified the need to revise substantially the Medicare supplement product that is available to qualified retirees. In order to take full advantage of the array of products available, and to optimize the potential funding that is available under Medicare, it has been determined that new products should be made available outside of the Concordia Health Plan, as insured products.

Such supplemental products are within the CPS' responsibilities under the Bylaws of The Lutheran Church—Missouri Synod (Synod), but for legal reasons such products would best be offered through a separate corporation under the authority of the Board of Directors of CPS (CPS Board). Therefore, the CPS Board is requesting authorization from the Board of Directors of the Synod (Synod Board) to establish a new corporation, CPS Ancillary Program Agency, for the purposes of carrying on its prescribed activities and responsibilities. The CPS Ancillary Program Agency is expected to begin functioning on October 1, 2015.

Action

NOW, THEREFORE, BE IT

Resolved, That the Board of Directors of The Lutheran Church—Missouri Synod hereby authorize Concordia Plan Services to establish a new corporation, CPS Ancillary Program Agency, for the purpose of carrying on prescribed activities and responsibilities of Concordia Plan Services, as shown in the Articles of Incorporation and Bylaws attached hereto as Exhibits A and B.

151. Concordia Historical Institute Visit

Concordia Historical Institute Executive Director Daniel Harmelink, after being welcomed and introduced to the board, provided an overview of the work of the institute, called attention to the important ministry it provides to the Synod as , and spoke of the challenges the institute faces going forward after overcoming a number of difficulties in recent years. Extensive discussion followed his presentation, which was concluded with a word of special thanks by Dr. Harmelink to the Board of Directors for the ongoing financial support CHI has received over the years, and for its increased support in the current year.

152. Office of National Mission Visit

Office of National Mission Executive Director Bart Day provided a PowerPoint presentation describing the responsibilities and activities of his department under its mission statement, "The Office of National Mission will enliven, equip, coordinate, and engage districts, congregations, schools, workers, and recognized service organizations in order to enhance their local and regional missions and ministries." He broke down national mission work into five areas and identified the specific areas of ministry under each, also offering examples or specific information in each case:

- **Witness:** Rural and Small Town Mission; Urban and Inner City Mission; Campus Ministry/LCMSU; Black Ministry; Hispanic Ministry; and Witness and Outreach
- **Mercy:** Disaster Response; Life and Health Ministry; Specialized Pastoral Ministry; Veterans of the Cross; Domestic Grants; and Community Engagement
- **Life Together:** Youth; School Ministry; Stewardship; Worship; and Recognized Service Organizations

- **Planting – Mission Field: USA:** Church Planting Manual (Recruitment, Assessment, Training, Sending); Four Domestic Missionaries (Urban/Inner City, Campus, Ethnic)
- **Revitalization re Vitality:** Self-Assessment; Action-Oriented Training; and Outreach-Integrated Witness

Following his presentation, Executive Director Day responded to specific questions submitted by members of the Board of Directors prior to the meeting.

153. Audit Committee Report

Audit Committee Chairman Keith Frndak provided an oral report from his committee's August 20, 2015 meeting (a printed copy of minutes from the meeting are attached to the protocol copy of these minutes). He reported that his committee discussed with the Synod's external auditor, Brown Smith Wallace, the upcoming 2015 LCMS financial statement audit and the scope of services to be provided.

Executive Director of Internal Audit Joann Spotanski reported to the committee regarding the administration of the LCMS policy on suspected financial and organizational misconduct. She also suggested to the committee that it might authorize providing an anonymous hotline for the reporting of suspected misconduct. The committee expressed interest and requested that she research this suggestion and report back to the committee at its next meeting.

The committee also discussed and then approved a motion to accept changes recommended by the Board of Directors Governance Committee to the board's audit policies. The committee also agreed to advocate adding a section to the Board of Directors policy manual regarding the Synod's investment policy, to be forwarded to the Governance Committee for its attention. After discussion regarding its responsibilities outlined in its charter, the committee approved a request that the Governance Committee also review and determine how risk and investment matters might best be handled by the board.

Finally, the Internal Audit Department's performance report and its focus for the next three months were also reviewed and discussed.

154. Board of Directors Policy Change

The Governance Committee proposed adoption of the changes to board policy suggested by the Audit Committee, with additional minor changes by the Governance Committee. The proposed resolution was introduced by the committee and adopted without discussion.

WHEREAS, Board of Directors Policy 2.10.1.3.1 directs the Governance Committee to review policies of the board and to make recommendations for new or amended policies; and

WHEREAS, During the course of reviewing this section of the manual, the Chief Administrative Officer has solicited input and/or review from the members of the Governance Committee; and

WHEREAS, Board members are encouraged to provide comment and suggestions regarding these proposed changes and any other change they deem appropriate to raise for the board's consideration during the review of these policy sections; therefore be it

Resolved, That the Board of Directors adopt the changes to the Lutheran Church—Missouri Synod Board of Directors' *Policy Manual*, Section 5.3 Audit Policies, as shown (pages with tracked changes attached to the protocol copy of these minutes); and be it further

Resolved, That the board also direct that the Table of Contents, Index, and other references be updated, as necessary.

155. Convention Matters

Secretary Raymond Hartwig called the board's attention to bylaw changes adopted by the 2013 Synod convention, adopted in the interest of obtaining more well-qualified candidates for positions on the Concordia University System (CUS) Board of Directors and the boards of regents of the nine CUS colleges and universities. Necessary steps are being taken by the Office of the Secretary in preparation for the meeting of the 2016 convention Committee for Convention Nominations January 7–10, 2016.

Referencing CCM Opinion 15-15-2768, he explained how bylaw paragraph 3.12.3.5 (f) in particular requires a significant amount of new effort to generate and publish its required list of names gleaned from all who have been nominated for all Synod boards and commissions who meet qualifications listed by Bylaws 3.10.5.2.6 and 3.6.6.3, including also those nominated in the regional nominations process to be conducted by ballot after October 1, 2015.

He also responded to a concern raised by board members at its May meeting pertaining to the regional nominations ballot process and the absence of opportunity to identify incumbents as part of the process. Again referencing CCM Opinion 15-2768, he shared the commission's response that mention of incumbency on the nominating ballots would not be permissible in light of existing bylaws. He noted that interested voting congregation may want to research for themselves the identity of incumbents to the positions to be filled on the Board of Directors and the mission boards. A comment to this effect will be included in the instructions accompanying regional board member ballots, which will be mailed to all member congregations of the Synod in early October.

Chief Administrative Officer Ron Schultz reported that the board's request to the Commission on Handbook that it propose changes to the 2016 convention to allow identification of incumbents and to address other concerns with the regional balloting nominations process was returned to the board by the commission, noting that the commission will be happy to assist the board in developing bylaw proposals, but the board must first determine what those changes should be.

After discussion, it was agreed that proposed convention actions to address the board's concerns will be developed by the Chief Administrative Officer and the Secretary, for consideration by the board at its November meeting.

156. Retreat Follow-Up

Chief Administrative Officer Ron Schultz used a PowerPoint presentation to report on progress made by the board on items identified for attention and improvement during its August 2014 retreat. He noted the themes of the retreat (challenges of contemporary culture/society; existence of erroneous perceptions that contribute to/create a lack of trust; messaging) and concerns of the board (mechanisms in place to receive timely information to make informed decisions; current capability to exercise influence; question of how to exercise influence) at the time of the retreat.

To assist the board with this one-year review, he again introduced Dr. Bob Krizek, leader and resource person for the board's 2014 retreat, noting that Dr. Krizek is also providing ongoing assistance to the International Center entities' organizational development programs initiative. Discussion that followed indicated that the concerns identified in the August 2014 retreat, especially board message/information concerns, continue to beg attention, this demonstrated by the handling of recent significant matters requiring board involvement and decision-making.

157. Report on Meetings with Corporate Entity Leadership

Michael Kumm relinquished the chair to provide the report of his and Chief Administrative Officer Schultz's meetings with the board chairmen and executives of Concordia Publishing House, the LCMS

Foundation, the Lutheran Church Extension Fund—Missouri Synod, and Concordia Plan Services over a two-day period in early July.

These meetings were intended to discuss some of the following “messages” prompted by Board of Directors discussion during its May meeting:

- Encourage a mutually beneficial relationship
- Corporate entities created to support the work of the Synod
- Discussion of continued support for the Synod
- Understanding the role of the Board of Directors in the work of Synod agencies
- Understanding the role of the Board of Directors as the board of directors of the Synod
- Understanding the role of the Board of Directors as the board of directors of corporate Synod.
- Discuss how together we might enhance our board relationships
- Discuss how we can identify earlier such items that may come before the Board of Directors so that the board can be better prepared to provide informed assistance.

All four meetings were extremely cordial, and each participant at the end of the meetings conveyed appreciation for the openness and collegiality of the conversation. Much time was spent in conversation about the need and opportunity for sharing information. Board of Directors’ representatives were able to convey the board’s desire to walk side-by-side with the agencies in support of the work of the Synod. Each of the four agencies identified contributions it has made in the past and expects to continue to make into the future. They were pleased to learn that they would be given opportunity to speak to the board about their organization, and they expressed interest in the opportunity to have the Synod’s executive staff make future presentations to their boards.

As a result of these meetings, Chairman Kumm proposed the following recommendations for consideration by the Board of Directors. After considerable positive discussion, a motion was introduced and carried to adopt the following:

1. The LCMS Board of Directors establish a regular meeting between the chief executive officers of the Lutheran Church Extension Fund—Missouri Synod, the Lutheran Church—Missouri Synod Foundation, Concordia Plan Services, and Concordia Publishing House, the President of the Synod, and the Synod’s Operations Team. The desired outcome of the group is to share management and program information and strategies so that the organizations’ executive leadership, including the organizations’ boards, are vigilant in seeking out opportunities to support the organizations by leveraging resources and minimizing redundant program and operations where practicable. The group’s charter and frequency of meeting (quarterly, semi-annually) is to be determined by the members. Confidential meeting summaries (notes, minutes, etc. as determined by the group) are to be shared with group members, the LCMS Office of the President, and each organization’s board of directors. Membership in this group is to be limited to the chief executive officers, the President of the Synod, and the Synod’s Operations Team (by title). No delegation of authority to attend should be permitted.
2. Provide opportunity for the chief executive officers of these organizations to make presentations to the LCMS Board of Directors regarding their strategic plans with a focus on points of intersection with LCMS program activity.
3. Offer the opportunity to the other entities for LCMS presentations regarding the work of the LCMS Board of Directors, an overview of LCMS operations and strategies (LCMS Operations Team), or other presentations of interest to the entities requested through the Operations Team.

Following the adoption of these recommendations, mention was made of adding an additional synodwide corporate entity, Concordia Historical Institute, to the list of those to be involved in these meetings, and

of considering the same kind of meetings with the Concordia University System Board of Directors and the leadership of Concordia University System colleges and universities.

Before moving on to the final items on the agenda, a motion was introduced and carried to move into executive session for approval of executive session minutes from the board's May and June meetings.

157X. Executive Session III

After exiting executive session, the board turned its attention to the remaining items on the agenda for the meeting.

158. Committee/Officer/Board Time; Topic for Upcoming Board Meeting

Chief Administrative Officer Schultz called attention to the LCEF credit union information provided in the docket and also to the need for board members individually to register for the LCEF Fall Gathering when contacted by LCEF.

Looking ahead to the board's November meeting, he also provided the list of possible meeting topics developed by the board during its August 2014 retreat. After several suggestions were offered, Chairman Kumm called on Chief Mission Officer Kevin Robson for a closing prayer and benediction.

159. Adjournment of Meeting

With all business to come before the board attended to, a motion to adjourn was introduced and carried.

Raymond L. Hartwig, Secretary