

MINUTES

BOARD OF DIRECTORS The Lutheran Church—Missouri Synod February 17–18, 2011

30. Call to Order/Agenda/Opening Devotion

Chairman Robert Kuhn called the meeting to order with all members present for the meeting except Gloria Edwards and Kurt Senske, absent with excuse due to unavoidable schedule conflicts. Dr. Kuhn called attention to the agenda for the meeting and requested a motion “to accept the agenda as prepared, with permission for the chair to modify.” The motion was introduced and carried.

Michael Kumm led the board in morning worship and shared brief pastoral thoughts prompted by Matthew 20:1–16. He served as worship leader and chaplain for the entire meeting.

Chairman Kuhn extended a special welcome to Jerauld Wulf, the new Chief Financial Officer of the LCMS, expressing the board’s gratitude to Mr. Wulf for accepting the appointment and assuring him of the board’s prayers and support as he carries out the responsibilities of his office.

31. Officer Reports

A. President

President Matthew Harrison called attention to his printed report in the meeting docket (Section A, pp. 1–3, attached to the protocol copy of these minutes) and expressed his thanksgiving for blessings received every day as he carries out his responsibilities as President of the Synod, blessings repeatedly evident as he and his staff continue to face significant challenges each day. He commented on a number of items in his activities report, including the Committee for Lutheran Cooperation meeting in Baltimore, recent open house events with International Center employees, and attendance at the Mega Church Conference in Austin. He also spoke of the good and well-received work done by his staff and the work group he assembled to address the restructuring mandate given to him by the 2010 convention, provided a progress report on efforts to identify candidates for the new Chief Mission Officer position, reported on developments in Lutheran Malaria Initiative plans, and spoke in very positive terms regarding his visit to the campus of Concordia College Selma.

In his written report, President Harrison listed the members of the Restructuring Work Group that constituted “phase 2” of the International Center restructuring efforts:

- Rev. David Birner, World Mission
- Kama Bernabo, World Mission
- Travis Torblaa, World Mission
- Jeff Craig-Meyer, World Mission Fund Development
- Rev. John Fale, World Relief and Human Care
- Al Dowbna, World Relief and Human Care
- Maggie Karner, World Relief and Human Care
- John Lewis, World Relief and Human Care Fund Development
- Myron Koehn, Information Technologies
- David Strand, Communications
- Adrienne Dorr, Communications
- Rachel Asbury, Worship (Administration Support)

First Vice-President Herbert Mueller, Barbara Below and Rev. Jon Vieker of the President's staff, and James Lowitzer of Collierville, TN (outside consultant) also assisted the Restructuring Work Group, which worked diligently to develop a variety of proposals for a new working structure for the International Center, which in turn will help to shape the 2011/2012 Mission and Ministry Budget of the Synod. A summary of the work group's conclusions was provided to the board, including its assessment of the current situation; its recommendations regarding program areas, communications, and fund development; and its conclusions for a new structure (Section C [S], p. 277ff., attached to the protocol copy of these minutes).

Speaking of the Synod's financial situation, President Harrison reported a favorable outcome from a meeting with the Schwan Foundation that resulted in funding that will be suitable for obtaining matching funds and helpful to improve the Synod's financial prospects for closing out the current fiscal year. He reported that he continues to work with LCMS World Mission to address budget concerns, with a personal goal of making certain that the mission department ends the year in balance with its budget. He concluded his report by speaking of his pastoral service as a called pastor of Village Lutheran Church of Ladue, Missouri.

After discussion of his report, President Harrison asked the board's permission to have one of the members of his staff, Barbara Below, present during board meetings to take notes of presentations and discussions, since his duties sometimes take him away from meetings. A motion was introduced and carried to grant the President's request.

B. First Vice-President

First Vice-President Herbert Mueller called attention to his printed report (Section A, p. 5, attached to the protocol copy of these minutes) and spoke of the Synod's colloquy process and the applications that are being processed. A number of these applications are by pastors of the Evangelical Lutheran Church in America (ELCA), who demonstrate "dissimilarity in training" from LCMS pastors but are very willing to cooperate with the colloquy committee. Because of restructuring and the removal from the Synod's *Handbook* of many of the former bylaws governing the colloquy application process, work is nearing completion on drafts of new policy manuals that will mirror the former bylaw requirements.

Most of Vice-President Mueller's report touched on his response to the joint resolution of the Board of Directors and the Council of Presidents directing the Task Force on Synod Harmony to meet with representatives of the President's Office to discuss the task force's final report, including ways to mesh the task force's recommended strategies with the "Koinonia Project" being proposed by the President's Office. Vice-President Mueller walked the board through the various components of the response that has been prepared: "A Way Forward with the Harmony Task Force Report and the 'Koinonia' Project" (Section C [S], pp. 239ff., attached to the protocol copy of these minutes).

Vice-President Mueller responded to questions and comments throughout his oral report.

C. Chief Financial Officer

Chief Financial Officer Jerald Wulf, still new to his position, yielded the time for his report to Executive Director of Accounting Charles Rhodes, who opened the report by alluding to issues relating to the possible dissolution of Concordia Asia Education Foundation (CAEF), a Missouri Not-

For-Profit Corporation owned by the Synod. He provided a brief overview of the concerns that have surfaced, noting that the board would be looking at this matter more closely later in the meeting.

He called attention to the extensive financial information provided in the docket (Section A, pp. 7ff., attached to the protocol copy of these minutes), calling particular attention to the information provided as of December 31, 2010. Although expenses are \$5.1 million below budget, revenue is \$6.3 million below budget, so that the Synod is \$1.115 million behind budget after six months into the fiscal year, even though the revenue total includes surplus funds of \$578,000 from the national youth gathering.

He also noted the “Budget Preparation Schedule” included in the printed report (Section A, p. 53) and the “Undesignated Support Budget” anticipated for fiscal year 2011/2012 (Section C [S], pp. 211ff.). The latter report, which includes “the best numbers available,” shows an anticipated decrease in undesignated support to the Synod (district pledges and other sources of income) from \$23,025,000 in 2010/2011 to \$19,529,000 in 2011/2012.

He explained how each of the anticipated income numbers was determined and provided explanation of how district remittances are pledged and received to accommodate the differences that exist in fiscal year ends. Regarding district pledges of support to the Synod, (with two districts having yet to report), nine districts have returned pledges that show increases totaling \$72,000; 21 districts’ pledges show decreases totaling \$1,711,000; and five districts’ pledges are unchanged from the previous year.

After calling the board’s attention to his concern that the current year’s budget contains less than one-half of one percent flexibility (an \$86 million budget with a budgeted \$250,000 surplus), he also expressed concern regarding difficulties in putting together a 2011/2012 budget to match the new structure mandated by the 2010 Synod convention. The board supported preparing the budget to match the current structure and possibly adjusting it throughout the coming year when possible. He and Chief Financial Officer Wulf then made themselves available for questions regarding the financial report.

32. Legal Report

Upon introduction of Sherri Strand, representative for Thompson Coburn LLC, general legal counsel for the Synod, a motion was introduced and carried to enter into executive session to receive her report.

32X. Executive Session I

At the conclusion of the legal report and upon exiting executive session, the board returned to receiving the reports of the officers of the Synod.

33. Officer Reports (continued)

D. Secretary

Secretary Raymond Hartwig called attention to the minutes of the board’s November 17–19, 2010 meeting and presented them for approval. A motion was introduced and carried to approve the

minutes as presented. The Secretary suggested also attending to the executive session minutes from the November meeting, prompting the introduction of motion to enter into executive session to consider the minutes. The motion carried and the board entered into executive session, which session also included discussion of the results from the Personnel Committee's survey conducted as part of the three-year comprehensive review of the performance of the Chief Administrative Officer.

33X. Executive Session II

Upon exiting executive session and prior to the completion of the Secretary's report, the board acted on the reappointment of Ron Schultz as Chief Administrative Officer before returning to the Secretary's report. After the President gave his concurrence with the appointment, the following resolution was introduced by the Personnel Committee and adopted by the board without dissenting vote:

Resolved, That the Board of Directors extend another three-year appointment to Ron Schultz to serve as Chief Administrative Officer of The Lutheran Church—Missouri Synod." The motion carried without dissenting vote.

Secretary Raymond Hartwig then concluded his report, calling the board's attention to his printed report (Section A, pp. 69f., attached to the protocol copy of these minutes). He distributed copies of the 2010 *Handbook* of the Synod to the members of the board. He also provided a progress report on initial preparations for the 2013 convention of the Synod and some of the challenges that will need to be resolved as a result of decisions made by the 2010 convention. He also reported that two recent training sessions of newly appointed reconcilers would likely exceed budget appropriations, due to the large number of new reconcilers requiring training.

E. Chief Administrative Officer

Chief Administrative Officer Ron Schultz called attention to his report (Section A, pp. 71ff., attached to the protocol copy of these minutes), calling particular attention to his mention of an anticipated report from the International Lutheran Society of Wittenberg (ILSW), noting that there would be no ILSW report because "political realities" in Germany have not made such a report possible in time for the current meeting. A report is anticipated in time for the board's May meeting.

He also noted the section of his report referencing the electronic files of various LCMS entities and questions that have arisen regarding their availability to the public. A motion "to retain these files exclusively for the purpose of internal use except in the case of scholarly research" was introduced and discussed but then withdrawn. No further action was taken.

After a progress report on board activity that is underway in response to 2010 convention resolutions, members of the board took this opportunity to discuss the inclusion of a lengthy document from Concordia Plan Services in the meeting docket and questioned its practicality. The purpose of the document was explained, and the importance of summary statements to accompany such lengthy reports was noted.

34. Committee Reports

A. Personnel Committee

Personnel Committee Chairman Donald Muchow reported on behalf of his committee (a printed copy of the committee's report is attached to the protocol copy of these minutes). He noted his committee's discussions with LCMS Foundation, LCMS Lutheran Church Extension Fund, and Concordia Plan Services representatives regarding compensation issues, as well as the committee's recommendations to the board regarding salary budget proposals before turning to the first of his committee's action items to come before the board.

1. LCMS International Center 2011/2012 Salary Recommendation

After its introduction by the committee and brief discussion by the board, the following resolution was adopted:

WHEREAS, The objective of the LCMS International Center salary administration system is to attract competent employees; retain qualified, highly skilled employees; and provide competitive incentives for performance and personal development. The system currently in place is one that provides equitable and uniform treatment for comparable positions. Under this system, there is a direct relationship between the requirements, essential functions, and responsibilities of the position and the salary range. The salary grade is currently assigned by a point-factoring method of classifying positions to salary ranges.

In an effort to remain competitive with salary ranges and salaries paid, an annual review of local and national salary trends is performed. The intent of this comparison is to measure the ability of International Center employers to compete with the Synod structure and the local non-profit job market for employees and to compensate staff fairly. Among the resources used in this study are:

- Compensation resources and the Christian Leadership Alliance's publication, *Compensation Survey Report for Christian Organizations—2010*
- *Compensation Data 2010—Missouri*
- Concordia Plan Services' "2010 Congregation Salary Analysis"
- Salary analysis of the 200 highest-paid parish pastors and 200 paid institutional executives enrolled in Concordia Plan Services
- Salary data provided by Concordia Publishing House and Lutheran Hour Ministries;
- The 2010 "LCMS District Salary Survey"
- Various compensation surveys gathered and analyzed in conjunction with The American Association of Industrial Management (AAIM) and used along with the above-mentioned resources to identify the local and national trends relevant as support data for the salary increase recommendation for IC employees for the next fiscal year.

Key trends and data points observed in the salary analysis were the following.

- The average increase budget projected by St. Louis region and other Missouri employers is 2.6 percent (due to continued uncertainty with economic conditions, may employers continue to adjust their projected 2011 salary increase budgets).
- Project budgets for 2011, including salary increases, promotional increases, and variable incentive are all higher than 2010.

- Concordia Publishing House has reported an anticipated 3.0 percent average salary increase budget for 2011, while Lutheran Hour Ministries has projected an average salary increase of 2.0 percent for its coming fiscal year (as of November 2010).
- Through September 2010, the average increase projected by LCMS districts is 1.9 percent (excluding zeros), with six of the 34 districts reporting salary budget information not planning to award increases.

and

WHEREAS, In 2006, the Board of Directors adopted the following compensation philosophy;

At the International Center of the LCMS, our compensation philosophy is simple: In striving to be good stewards of the dollars entrusted to us, we shall pay fair salaries in a fashion which rewards performance in order to be able to attract, motivate, and retain employees.

The term “fair” shall be interpreted as fair pay based upon an employee’s role within corporate Synod, striving to pay at or within 10 percent of the market value for the job held (using not-for-profit standards to define the market value) and the incumbent’s performance in the position.

The top paid 150 parish pastors and the top paid 150 institutional executives shall be used as a guideline for the placement of the Class 6 executive directors of boards and commissions, with some being higher and some being lower;

and

WHEREAS, On December 13, 2010, the Human Resources Committee adopted the following resolve paragraphs for submission to the LCMS Board of Directors for adoption; therefore be it

Resolved, That effective March 1, 2011, the salary ranges be adjusted by approximately minus-five percent (a five percent negative adjustment is required to correct a data error—proposed annual ranges are calculated correctly to reflect compliance with the board’s compensation philosophy) to reflect compliance with the 2006 philosophy of using the average of the 150 top paid parish pastors and the 150 top paid institutional executives as the basis for the Class 6 mid-point, the remainder of the salary scale to be adjusted accordingly as detailed in a separate report; and be it further

Resolved, That the “Salary Increase Budget” for 2011/2012 (FY12) be set at zero percent; and be it finally

Resolved, That the bonus budget for FY12 be set at 1.5 percent of the FY12 salary budget.

2. Interim Vacancy Appointment Designation

In keeping with the board’s practice to designate appointees to serve as interim officers during times of vacancies, the Personnel Committee introduced and the board adopted the following resolution:

Resolved, That the Board of Directors name the following individual to serve during a board-authorized interim vacancy until action by the board can be taken to appoint someone to fill the vacancy;

- Chief Administrative Officer: Mr. David Fiedler, so long as he continues to serve as the Executive Director of General Services

and be it further

Resolved, That this name be forwarded to the Department of Human Resources and maintained as required should the need arise for an *Interim* Chief Administrative Officer.

3. Concordia University System/Seminary Task Force Appointments

Resolution 4-04A of the 2010 LCMS convention contained a resolve paragraph charging the board of directors with the responsibility for appointing a 13-member task force to research the fiscal strength of the Synod's current higher education system and make recommendations for improvements or enhancements.

At its November 2010 meeting, the board asked the seminary presidents, the Concordia University System *Interim* Executive Director, and the Director of Seminary Education to meet and recommend to the Board of Directors 15 to 20 persons for service on this task force. The board also authorized its chairman to appoint a four-person nominations committee (or the board's Personnel Committee) to review the list of persons recommended and bring a recommendation to the Board of Directors.

The chairman appointed the Personnel Committee to serve as this nominations committee, and asked that the committee present a slate for board action at its February meeting. Accordingly, the committee offered a list of 27 names for the board's consideration, advocating that the board proceed with the balloting.

The Personnel Committee's report time having elapsed after the list of names was presented, the board returned to the matter later in the day. After opportunity was provided for comment on each of the names on the ballot, the board voted, keeping in mind the requirements of Res. 4-04A for the composition of the board: "two members from the LCMS Board of Directors, as well as persons from the CUS institutions and seminaries, other institutions of higher education, and the LCMS at large."

After the completion of the balloting, the following persons were appointed to the Res. 4-04A Task Force:

John Behrendt (Layperson)
 Ralph Blomenberg (Seminary Board of Regents)
 Brian Friedrich (University President)
 Keith Frndak (Board of Directors)
 Robert Kuhn (Board of Directors)
 David Maier (District President)
 Dale Meyer (Seminary President)
 Lawrence Rast (Seminary Administrator)
 Mary Scott (University Administrator)
 Dien Taylor (Parish Pastor)
 Gerhard Munding (Layperson)
 Dean Wenthe (Seminary President)
 Dennis Witte (University Administrator)

The two persons receiving the next highest numbers of votes on the final ballot, designated to serve as alternates as needed (and in the order listed), were:

Daniel Gilbert (District President)
Mike Louis (Seminary Administrator)

A motion to destroy the ballots was introduced and carried. The Personnel Committee concluded its business with a report of the results of the recent Voluntary Early Retirement Opportunity presented to the 28 eligible International Center employees. Of the 28, seven persons made use of the opportunity.

35. Partner Visit: LCMS Lutheran Housing Support Corporation

The LCMS has been involved in housing ministries since 1986 when it participated in and provided funding for Nehemiah Plans in Brooklyn, New York, and Memphis, Tennessee—local, faith-based housing initiatives that helped to stabilize communities and strengthen congregations by providing decent, affordable housing for low-to-moderate-income working families. In 2003, the Synod’s Board for Human Care Ministries determined that it would be advantageous to form a new corporation, “LCMS National Housing Support Corporation,” in order to be able to secure funding from government, private, and corporate sources to assist LCMS congregations, districts, and social ministry organizations when developing housing ministries.

The Board for Human Care Ministries determined that the formation of such a corporation would be essential for ongoing housing ministry efforts for the following reasons: (1) Such a corporation would be necessary to be eligible to apply for many sources of federal, state, and local funding. (2) Because funds would be received from outside sources, the corporation would serve as a buffer against any additional risk of liability arising from the handling of the funds received. (3) While the corporation would carry out the housing ministry of the LCMS, it would be formed exclusively for charitable and educational purposes in order to be able to access sources of funding that are unable to provide funding for religious purposes.

After discussion, the 2003 Board of Directors agreed that it would be in the best interests of the LCMS to form the LCMS National Housing Support Corporation as a Missouri Not-For-Profit Corporation and adopted the following resolves:

Resolved, That the Board of Directors hereby approves the formation of LCMS National Housing Support Corporation as a Missouri non-profit corporation and hereby further approves the Articles of Incorporation and Bylaws of LCMS National Housing Support Corporation to be the Articles of Incorporation and Bylaws of said corporation; and be it further

Resolved, That the Board of Directors hereby authorizes and directs the Board for Human Care Ministries to select the initial Board of Directors of LCMS National Housing Support Corporation and to cause said Articles of Incorporation to be completed and filed with the Secretary of State of the State of Missouri and to cause said Bylaws to be adopted by the LCMS National Housing Support Corporation; and be it further

Resolved, That the following powers of The Lutheran Church—Missouri Synod, as sole member of LCMS National Housing Support Corporation, are hereby delegated to and shall be exercised by the governing board of the Board for Human Care Ministries, unless and until the

Board of Directors or the Executive Committee thereof rescinds such delegation by subsequent resolution: (i) to nominate, elect, and remove directors of LCMS National Housing Support Corporation; (ii) to request a special meeting of the board of directors of LCMS National Housing Support Corporation; (iii) to be consulted with respect to the election of the President of LCMS National Housing Support Corporation; and (iv) to approve the appointment of committees of the board of directors of LCMS National Housing Support Corporation; and be it further

Resolved, That the Board of Directors hereby designates the Board for Human Care Ministries as its designee to receive any financial reports, financial statements, and minutes of meetings required to be provided by LCMS National Housing Support Corporation to The Lutheran Church—Missouri Synod as sole member of said corporation, and, further, that the Board for Human Care Ministries shall furnish a summary report of such items to the Board of Directors; and be it finally

Resolved, That so long as the delegation of powers hereunder to the Board for Human Care Ministries remains in effect, the annual meeting of the member under the Bylaws of the LCMS National Housing Support Corporation shall take place on the date(s) established for the Fall meeting of the Board for Human Care Ministries.

As a result of the restructuring decisions of the 2010 LCMS convention, including the dissolution of the Board for Human Care Ministries, provisions in the 2003 resolution delegating certain responsibilities to the housing board require attention. In addition, the untimely death in October 2010 of LCMS National Lutheran Housing Support Executive Director Marie Kienker has left a vacancy that will need to be filled.

For this reason, and also to inform the current Board of Directors regarding the housing corporation, representatives from the LCMS National Lutheran Housing Corporation, *i.e.*, Deborah Rutt (Vice-President for Advancement), Nicole Ridley (Project Director), John Fale (Lutheran World Relief representative), and William Ameiss and Janet Johnson (members of the Board) provided a slide presentation to the board, noting that the corporation's mission remains the same: "The LCMS National Housing Support Corporation (Lutheran Housing Support) is dedicated to providing support that promotes improvement of economic conditions, housing, and other services to revitalize and prevent deteriorated communities." The same remains true of its Vision Statement: "Neighborhoods close to our altars are restored and revitalized by our members' faith active in love."

The presentation included a history of projects successfully undertaken, including the Spring Creek Nehemiah project in New York City, the Ezra Housing Project in Chicago, the College Hill Neighborhood in St. Louis, and the Lutheran Community Outreach Center in Fort Wayne. It also identified essential next steps to be taken, including the updating of its Bylaws, the search for a new executive director, and the recruitment of new board members for recommendation to the LCMS Board of Directors for appointment.

The board thanked presenters for the helpful information and expressed its readiness to hear from LCMS National Lutheran Housing Corporation when it is ready for next steps to be taken.

B. Policy Review Committee

The Policy Review Committee reported that it had not been able to meet and therefore had no report for the board at this meeting.

C. Audit Committee

Audit Committee Chairman Curtis Pohl reported for his committee, reading from the minutes of its February 16 meeting (attached to the protocol copy of these minutes). His report included an update on the financial audits of the two seminaries (unqualified opinions were received and no significant deficiencies or material weaknesses in internal controls were reported) and comments regarding the steps being taken by the seminaries in response to current financial challenges. Regarding the audits of the ten Concordia University System schools, all schools received unqualified audit opinions and no material weaknesses were noted, although some schools are experiencing financial struggles. Regarding the synodwide corporations, all also received unqualified opinions, although some deficiencies were noted in the audit reports received by Concordia University System and Concordia Historical Institute.

Letters were reported sent to the 23 districts not audited by the Internal Audit Department of the Synod, calling attention to Board policy 5.3.1.3 requiring districts to provide their audited financial statements to the Board of Directors through the accounting and internal audit departments of the Synod. Two district audit reports remain delinquent from the prior year.

The Audit Committee also reviewed the Internal Audit Department's performance report, noted the progress being made to meet the department's goals and objectives for the current year, and approved the objectives proposed for the coming year.

Upon request of the committee, a motion to move into executive session to discuss sensitive fund-raising and educational institution issues was introduced and carried.

35X. Executive Session III

After moving back into open session, the board continued with the next item of business on its agenda.

36. Special Report: Walther Mausoleum

General Services Executive Director David Fiedler provided a report regarding one of the Synod's properties, the Walther Mausoleum located in Concordia Cemetery in South St. Louis. Erected in 1892, five years after Dr. C. F. W. Walther's death, it provides the final resting place for Dr. and Mrs. (Emelie) Walther.

Executive Director Fiedler informed the board that the mausoleum was constructed as a cooperative effort of the congregations served by Dr. Walther in the city of St. Louis: Holy Cross, Trinity, Immanuel, and Zion. The mausoleum was deeded to the LCMS in 1987. Significant restoration efforts have been required to maintain the structure over the years, usually at 30-year intervals.

Recently, the Synod, in partnership with Concordia Historical Institute, has been working with the Walther descendants and other interested persons to establish a modest endowment to cover costs of ongoing maintenance and especially the more major restoration efforts when required. This

endowment, now established, is intended to keep this important piece of LCMS history safe for many years to come.

37. Update on Restructuring Activity

LCMS President Matthew Harrison introduced the members of his staff most involved in restructuring efforts, Barbara Below and Rev. Jon Vieker. They continued the discussion begun earlier by the President during his report, sharing draft diagrams and charts with the board showing tentative plans for restructured operations in the International Center, highlighting the three-circles emphasis of the President's Office (Witness, Mercy, Life Together), and taking into particular consideration pertinent bylaws adopted by the 2010 convention pertaining to the new mission boards and offices. They emphasized that their report is a work in progress and that it has been favorably received when shared with specific groups within the Synod, such as the new mission boards.

The report was followed by extensive discussion by the board, during which board members offered suggestions and received clarifications. The President and his staff were thanked for the progress report and commended for their efforts.

38. Concordia University System

Concordia University System *Interim* Executive Director Alan Borcharding and staff member Gayle Grotjan were introduced to provide a report on behalf of the Concordia University System (CUS) Board of Directors, as directed by the CUS board at its January 2011 meeting. The report included a proposed action item for the LCMS Board of Directors from the CUS board regarding delegation of responsibilities; a request that the LCMS board rescind an action taken during its November 2010 meeting regarding CUS funding; and an update on progress being made by the new administration of Concordia Ann Arbor to address the challenges it continues to face.

Regarding the proposed action item, Dr. Borcharding explained its purpose. "Delegation of Certain LCMS Board of Directors' Responsibilities for College and University Finance and Property to the Concordia University System," has been necessitated by changes to the *Handbook* of the Synod by the 2010 convention. The document was originally written and executed in 1996. The board took up the matter later in the meeting under the "Action Items" section of its agenda.

Regarding the second matter, the board's action at its November meeting, the board discussed at length the action taken, wherein it alerted CUS to the need to be prepared to assume responsibility for additional funding in the coming fiscal year, given the budget challenges that will necessarily be faced by the Board of Directors in preparing the Synod's 2011/2012 Mission and Ministry Budget. It was concluded that no further action on the action taken would be necessary, as this matter will be addressed during coming budget discussions.

Before moving on to the third item to be discussed, a motion to move into executive session was introduced and carried.

38X. Executive Session IV

Later in the meeting, the board returned to this same subject and again a motion was introduced and carried to move into executive session.

38XX. Executive Session V

After the chair called the Order of the Day and the board moved out of executive session, the board recessed for the evening.

Chairman Kuhn called the meeting to order the next morning. After Michael Kumm provided an opening devotion and the chair called attention to the remainder of the agenda for the meeting and how it would be addressed, a motion was introduced to move again into executive session to continue discussion of the report of the Concordia University System *Interim* executive director that was interrupted by the evening recess. The motion carried and the board continued the discussion in executive session.

38XX. Executive Session VI

Upon return to open session, the board continued with the business called for by the agenda for the meeting. Later in the meeting, however, the board discussed who would be its representatives for a presentation of a Concordia University System matter to the Council of Presidents. It was agreed that for the sake of continuity and acquaintance with the subject matter, Audit Committee Chairman Curtis Pohl would make the presentation, accompanied by Chief Financial Officer Jerald Wulf and Concordia University System *Interim* Executive Director Alan Borcharding.

39. Discussion Items

A. Review of Streaming Report

Chairman Kuhn introduced discussion of the “Ministry Plan for the Continuation and Enhancement of the Classic99.com Audio Stream” action taken by the board during its November 2010 meeting (attached to the protocol copy of these minutes). After brief discussion, it was concluded that the action taken is to be regarded as an appropriation of funding by the board, recognizing that supervisory authority over this matter now resides in the Office of the President.

B. Status of Chief Mission Officer Appointment

President Matthew Harrison described the process that has been used to identify candidates for the new Chief Mission Officer position of the Synod, expressing optimism that recent developments have moved the process forward and have produced names for the board to consider in keeping with Bylaw 3.4.3.2’s requirement of Board of Directors concurrence with any appointment made by the President. A motion was introduced and carried to move into executive session to discuss possible names for the position.

39X. Executive Session VII

After the board exited executive session, the board continued on with the third discussion item listed on the agenda, the status and work of mission boards. Later in the meeting, however, the board returned to the subject of the appointment of the Chief Mission Officer, when it adopted the following resolution:

Resolved, That the Board of Directors concur with the names submitted by the President of the Synod for consideration for the position of Chief Mission Officer.

C. Status and Work of Mission Boards

President Harrison reviewed the progress that has been made by the new mission boards, equating their early efforts to become organized to “25 people mounting a bicycle with the staff providing support.” The boards have made good progress toward becoming organized and active, most recently working at drafts of some portions of policy manuals that will provide order to their work and their carrying out of the responsibilities given to them by the Bylaws. His final summation: “Good progress is being made.”

40. Legal Counsel Review Committee Report and Appointment

At the board’s November 2010 meeting, the Chairman Kuhn appointed an *ad hoc* committee consisting of Kermit Brashear, James Carter, Robert Kuhn, Curtis Pohl, and Ron Schultz to review and make recommendations regarding the appointment of general counsel for the next three years. With Curtis Pohl serving as chairman, the committee met by conference call on December 13, 2010, to plan a course of action. The committee divided its task into two phases: (1) Consider the reappointment of current general counsel. (2) Consider the advisability of acquiring in-house legal counsel, the committee bringing any such recommendation to the board at its May 2011 meeting.

Regarding (1) above, the committee agreed upon the following list of “considerations in renewing/selecting legal counsel”:

- Does current counsel provide services that meet the needs of the organization?
- Is current counsel responsive to client needs?
- Has current counsel developed an adequate level of experience and knowledge of the LCMS?
- To what extent is there overall customer satisfaction?
- Is there any compelling reason to change counsel?
- Are there expense considerations?

The committee determined that it would be prudent to obtain comment from a number of LCMS leaders. A list of 15 persons was compiled (consisting of corporate Synod officers, unit executives, synodwide corporate entity representatives, and district presidents), eleven of whom responded via e-mail, two provided brief verbal comments, one failed to respond, and one was unable to be contacted.

The committee met for a second time on January 26, 2011, to review the information gathered as well as other helpful information that included a summary of legal expenses over the past three years and a current Thompson Coburn preliminary fee proposal and past, present, and future rate caps. From the comments received from LCMS leaders, all indicated they were “satisfied” to “very satisfied” with the services provided by Thompson Coburn. No one cited any significant concerns, and no one recommended changing legal counsel.

On January 11, 2011, Thompson Coburn LLP submitted its fee proposal, which continued to provide for annual rate caps based upon past levels of legal service need. The proposed discounted hourly rates were believed by the committee to be reasonable within the St. Louis market. The proposal also acknowledged the board's interest in investigating the possibility of in-house counsel and offered to assist in that endeavor if desired.

Based upon its evaluation, the *ad hoc* committee recommended that the Board of Directors again appoint Thompson Coburn LLP as its legal counsel through June 30, 2014, citing as its reasons for its recommendation

- the breadth of expertise available from the current firm;
- the fact that significant change to the LCMS structure, a new Chief Financial Officer, and new leadership suggest that a major change in legal counsel is not advisable at this time;
- the widespread satisfaction that exists with the performance of current counsel; and
- the reasonable cost of services in the company's proposal.

Regarding (2) above, the committee has begun conversation regarding the advisability (or not) of pursuing in-house counsel. It will continue to meet as needed in order to bring a recommendation to the full board at its May meeting.

Following the committee's report, the following resolution was introduced and discussed and then adopted by the board:

Resolved, That The Lutheran Church—Missouri Synod Board of Directors reappoint Thompson Coburn, LLP as general counsel for the Synod through June 30, 2014, pursuant to Thompson Coburn's proposal dated January 11, 2011, and according to the provisions contained in the board's policy manual.

Adoption of the resolution prompted the introduction of a motion to move into executive session to discuss a related topic.

40X. Executive Session VIII

After returning to open session, the board moved on to its remaining business.

41. Asset Evaluation Committee Report

The 2010 convention adopted Res. 4-02 "To Address Corporate Synod's Financial Crisis" calling for an evaluation of all assets of the Synod by the Board of Directors, "taking action to ensure that they are being used effectively to carry out the Synod's mission and ministry or make recommendations to the next convention for their appropriate use."

At the board's November 2010 meeting, Chairman Kuhn appointed the following persons to the Res. 4-02 committee: Keith Frndak (chairman), Walter Brantz, Tom Kuchta, and Ed Everts. Committee Chairman Frndak reported to the current meeting, describing the committee's first meeting and

stating its intention to focus on the largest assets of the Synod first, primarily its universities and seminaries. After brief discussion, the committee was encouraged to continue its work.

42. LCMS Foundation Report

Tom Ries, President of the LCMS Foundation, provided an overview of the LCMS Foundation's activities and responsibilities, including gift planning, investments, training and consulting, direct gifts to LCMS ministries, and the LCMS national offering. He also presented the LCMS Foundation's gift-raising paradigm for the present and future.

Regarding gift planning, he stated that the LCMS Foundation's primary function is to "help members of LCMS congregations plan and direct their passion for giving to all ministries of the church with gifts today, in the future, and in perpetuity." In the past five years, this has resulted in \$97.8 million in "matured gifts" and \$368.4 million in "future gifts."

In the area of investments, he reported that the LCMS Foundation Board of Trustees has investment oversight for nearly \$600 million in charitable assets, including gift annuities, charitable trusts, donor-advised funds, Synod- and Foundation-owned endowments, and custodial endowments owned by other ministries. He shared with the Board of Directors statistics regarding standard fund performance that demonstrate good stewardship of these charitable assets despite the difficult economic conditions over the past several years.

The LCMS Foundation has been involved in training and consulting since 2008, helping people discover the joy of giving and develop the resources needed for ministry. These training services center in a five-day residential biblical-stewardship-based program leading to the participants' designation as "Christian Development Executives" (CDEs). These CDEs are equipped to do gift planning with the help of the professional staff at the LCMS Foundation.

In the area of consulting, such services range from "Transfer the Blessings," a no-fee initiative designed to equip a small group of volunteers to raise awareness of gift planning in their congregation or organization, to "contractual consulting agreements" to help a congregation/ministry establish its own gift development office. As a result of these services, nearly 300 persons have participated in one or all of five training seminars and a dozen congregations have entered into partial or full-fee-based consulting relationships.

Regarding direct gifts, the LCMS Foundation currently manages the direct mail, telephone, and online giving processes for all LCMS national ministries, processing all direct gifts received in support of these ministries. In the past five years, 868,564 gifts have been processed totaling \$228.7 million.

Finally, the national offering has recently been added to the responsibilities of the LCMS Foundation. It manages these triennial offerings held in conjunction with the national conventions of the Synod. The latest national offering, "kicked off" in May 2010 under the theme "One People Sharing God's Love," is ongoing, as contributions (now totaling \$833,482) continue to be received throughout the current triennium.

The LCMS Foundation president included in his report a review of its three gift-raising function levels:

- Level 1 includes overall development strategy, including the engagement of principal donors. The LCMS Foundation provides this service to the higher education agencies of the Synod. LCMS World Missions, LCMS World Relief/Human Care, and LCMS District and Congregational Services now handle this level of their fundraising activity.
- Level 2 includes non-face-to-face engagement of donors via direct mail, telephone, and on-line efforts. LCMS Foundation handles this level of fundraising activity for all LCMS entities with its direct mail, telemarketing, and online giving services.
- Level 3 includes non-donor contact functions of gift processing, database management, prospect research, and reporting. This, too, LCMS Foundation handles for all LCMS entities with its database management, prospect research, file maintenance, and gift processing and reporting.

The restructure work group in charge of the entire restructuring of activity in the LCMS International Center is also currently reviewing the gift-raising paradigm and will be preparing a recommendation to the transition team.

LCMS Foundation President Ries concluded his report by praising God for 52 years of blessings. Established in 1958, the LCMS Foundation has had a role in distributing more than \$1.2 billion to LCMS ministries under its mission: “Linking Christians with Giving Opportunities.” Discussion followed his presentation.

43. Action Items

A. Five Regions Designation

Secretary Raymond Hartwig introduced this proposed action in response to 2010 Res. 8-14A “To Elect Five Vice-Presidents by Geographic Region,” which resolved (a) that the Synod create five geographic regions within the Synod; (b) that all Canadian congregations be included in one of the regions as a whole; (c) that the Board of Directors and Council of Presidents designate the boundaries of the five regions at least 24 months in advance of each Synod convention, “appropriately considering geographical and number of congregations information”; and (d) that all pertinent bylaws be amended accordingly. In the bylaw changes resulting from Res. 8-14A, it is also stipulated that these regions are to serve “for all elections requiring regional representation.”

At their joint November 2010 meeting, the Council of Presidents and the Board of Directors agreed each to appoint three of their members to a committee convened by the Secretary of the Synod to provide a recommended plan for designating the boundaries of the five regions, with Chief Administrative Officer Ron Schultz providing staff services. The members of the committee were the following:

Raymond Hartwig, convener
 Victor Belton, Florida-Georgia District (BOD)
 Richard Boche, Wyoming District (COP)
 Gloria Edwards, California/Nevada/Hawaii District (BOD)
 Joel Hoelter, North Wisconsin District (COP)
 Kenneth Lampe, Mid-South District (COP)
 Warren Puck, Iowa West District (BOD)

Aided by statistical and materials assistance provided by the Synod’s Department of Rosters and Statistics, the committee met via conference call on January 27, 2011, and agreed by consensus to a

regional plan (map and detailed information attached to the protocol copy of these minutes). The plan incorporates non-geographic district congregations into the geographic district in which they are located and includes the 16 LCMS Canadian congregations in a single region, as required. The districts to be included in each of the proposed regions, the number of congregations in each region, and the number of non-geographic congregations within the boundaries of each geographic district (added in parentheses) are as follows:

<u>Region</u>	<u>Congregations</u>	<u>Geographic Districts</u>
Great Lakes	1,208	Iowa East Northern Illinois (+25) North Wisconsin (+1) South Wisconsin (+13) Michigan (+19)
Great Plains	1,197	North Dakota South Dakota Minnesota North (+1) Minnesota South (+1) Montana Wyoming Nebraska (+1) Iowa West
West-Southwest	1,283	Northwest California/Nevada/Hawaii (+4) Pacific Southwest (+25) Texas Rocky Mountain (+1)
East-Southeast	1,206	Ohio (+26) Florida/Georgia (+11) Southeastern (+3) New Jersey (+9) Eastern (+26) Atlantic (+4) New England (+3) Southern 16 Canadian congregations
Central	1,179	Kansas Central Illinois (+1) Southern Illinois (+1) Missouri (+6) Mid-South Indiana (+9) Oklahoma

After the presentation, the following resolution was introduced and adopted by the board:

Resolved, That the Board of Directors adopt the above-recommended plan for designating the boundaries of the five regions required by Bylaw 3.12.1 for all elections by the 2013 convention of the Synod requiring regional representation.

B. Concordia Asia Education Foundation

Chief Administrative Officer Ron Schulz presented this action, noting the rationale provided to the board in the docket for the meeting, as follows:

In 1997, the Synod incorporated Concordia Asia Education Foundation (CAEF), a Missouri Not-For-Profit Corporation for a variety of reasons. Subsequently, another entity in Hong Kong, LCMS Holdings, Ltd., was acquired which is presently fulfilling many of the functions for which CAEF was incorporated. At present, the functions of the two entities appear redundant, and it appears that CAEF could be dissolved.

In order to evaluate the feasibility of pursuing liquidation of CAEF, inquiries have been made of legal and Holdings auditors in Hong Kong. An issue has been identified that could result in a duty tax of approximately \$50,000 US, to be assessed to the LCMS. Hong Kong laws provide for an exemption to this tax under certain circumstances. In order to evaluate the financial implications of dissolving the Missouri Corporation, it is necessary to determine if an exemption would be granted by Hong Kong taxing authorities. Pending a favorable ruling on the exemption, a formal request will be brought to the board for its consideration to dissolve CAEF as a Missouri Not-For-Profit Corporation.

An Executive Summary of this matter, containing additional information, is attached to the protocol copy of these minutes. After further explanation and brief discussion, the following resolution was introduced and adopted:

Resolved, That the Chief Administrative Officer and the Chief Financial Officer be authorized to research and, if appropriate, apply to the Hong Kong taxing authorities for an exemption for duty taxes which may be imposed should Concordia Asia Education Foundation (CAEF) transfer its membership interest in LCMS Holdings Ltd. to the LCMS or dissolved as a Missouri Not-For-Profit Corporation.

C. Thrivent Churchwide Grant Project Recommendations

Chief Administrative Officer Ron Schultz provided a brief introduction to the following resolution, accompanied by discussion by the board of specific project recommendations and of the amount and use of unused grant dollars from previous projects. The resolution was then formally introduced and adopted.

WHEREAS, Thrivent Financial for Lutherans annually awards a church-wide grant to The Lutheran Church—Missouri Synod (LCMS); and

WHEREAS, After discussions with Thrivent, the LCMS is anticipating a 2011–2012 award of \$1.15 million; and

WHEREAS, The Lutheran Church—Missouri Synod has an undetermined amount of unused funds from prior years; and

WHEREAS, The Lutheran Church—Missouri Synod Board of Directors resolved at its November 2006 meeting that “final approval for the use of the Thrivent Block Grant funds is the responsibility of the Board of Directors and will typically be approved during the annual budget process” and that “the Board of Directors requests that the program board and commission executives [CSEs] as a collective body, including the Chief Administrative Officer, in consultation with the President’s Office, to make recommendations to the board for the use of the annual Thrivent Block Grant”; and

WHEREAS, The appropriate board and commission executives individually submitted and collectively reviewed applications for the Thrivent Grant Funds for 2011–2012. Proposals are typically in two categories: *Type A* – Each unit represented by a CSE submitting a project or projects not to exceed \$40,000 which the CSEs have subsequently reviewed for compliance with the Thrivent requirements; and *Type B* – Larger scale and/or cross-unit, merit-based projects for which the CSE group ranks and approves certain projects; and

WHEREAS, The board and commission executives “have agreed to make recommendations to the board for the use of the annual Thrivent Block Grant” and, “as a collective body, including the Chief Administrative Officer, in consultation with the President’s Office have agreed” to present the following projects to the LCMS Board of Directors for inclusion in the 2011/2012 Mission and Ministry Budget (more detailed documentation attached to protocol copy of these minutes):

<u>“Type B” Projects</u>	<u>Amount of Funding</u>	<u>Synod Unit Responsible</u>
Koinonia Project	\$150,000	Office of the President
Recruiting/Nurturing/Retaining Professional Workers	\$127,500	Pastoral Education, Concordia University System Board, District/Congregation Services
Int’l Model Theol. Conf. on Conf. Luth. Leadership – 21 st Century	\$125,000	CTCR; President’s Office
LCMS Video Initiative	\$115,000	LCMS Communications
Sustainable Luth. Schools, Leadership Development	\$100,000	LCMS School Ministry; LCMS Nat’l Mission
Nat’l Ministry Strategic Planning	\$50,000	LCMS World Mission
Publicity Kit for Cong. Use	\$32,500	Communications
Haiti Sanitation/Clean Water	\$25,000	LCMS World Relief/Human Care
Hispanic Ministry Resources: Regional Strategic Planning	\$25,000	LCMS World Relief/Human Care
Cong. Outreach Training Centers	\$25,000	LCMS World Relief/Human Care

April 2012 <i>Lutheran Witness</i> Special Issue: Annual Report	\$20,000	Communications
Special Event Support	\$15,100	President's Office
<u>"Type A" Projects</u>	<u>Amount of Funding</u>	<u>Synod Unit Responsible</u>
<i>Timeline</i> Newsletter	\$11,500	LCMS Black Ministry Services
Equipping, Encouraging, Enriching Luth. Sch. Teachers	\$13,500	LCMS Black Ministry Services
Min. Health/Wellness Project	\$15,000	LCMS Black Ministry Services
LCMS Restructuring/Branding	\$20,000	Communications
Oct. 2011 <i>Lutheran Witness</i> Special Issue re C.F.W. Walther	\$20,000	Communications
Int'l Model Theol. Conf. on Conf. Luth. Leadership – 21 st Century	\$40,000	CTCR; President's Office
District Early Childhood Focus Groups	\$30,000	LCMS School Ministry; National Mission
Matura Phase II	\$40,000	Human Resources; Board of Directors
Assessing Recent Sem. Graduates (Perceptions of Min. Inventory)	\$9,000	Office of Pastoral Education
<i>Reporter</i> Pastoral Ed. Insert	\$15,000	Office of Pastoral Education
Post-Seminary Applied Learning And Support (PALS Program)	\$16,000	Office of Pastoral Education
Hymn Writers' Workshop	\$30,000	Worship Department
Community Development Capacity Building	\$25,000	Lutheran Housing Support
Expansion of Beautiful Feet Conference	\$16,650	LCMS World Mission
Children's Outreach Education Curriculum Expansion	\$23,250	LCMS World Mission
Outreach to People of Differing Or Limited Abilities	\$15,000	LCMS World Relief/Human Care

Therefore, be it

Resolved, That the LCMS Board of Directors endorse the projects submitted by the board and commission executives (above), funding the proposed projects using the 2011/2012 Thrivent Churchwide Grant; and be it further

Resolved, That the 2011/2012 budget of the Synod include the \$1,150,000 in funds assigned to the units as identified above; and be it further

Resolved, That the Chief Administrative Officer, in conjunction with LCMS Accounting, be directed to determine the amount of unused grant dollars from previous years' projects; and be it further

Resolved, That the board and commission executives (CSEs) as a collective body, including the Chief Administrative Officer, in consultation with the President's Office, identify and include in the 2011/2012 budget recommendation additional projects using the unused funds from previous years; and be it finally

Resolved, That the board ask the President of the synod and the chairman of the LCMS Board of Directors, upon notification of the 2011/2012 grant, to convey, on behalf of the members of The Lutheran Church—Missouri Synod, thanks to Thrivent Financial for Lutherans for its support of the Synod's ministry activity.

D. Delegation of Responsibilities to Concordia University System

Chairman Kuhn called attention to the recommended action of the Concordia University System Board of Directors to approve a revised "Declaration of Certain LCMS Board of Directors' Responsibilities for College and University Finance and Property to the Concordia University System" document, the 1996 agreement requiring revision due to changes in the Synod's governance structure and the bylaws governing both boards. It was noted in the introduction to the document that 15 years of activity under the existing agreement has also led to an improved understanding of how this document can be made more effective in practice.

The following resolution to approve the revised document was formally introduced and adopted without discussion:

Delegation of Certain LCMS Board of Directors Responsibilities for College and University Finances and Property to the Concordia University System

Background

This document was originally written and executed in 1996. This current revision uses the same logic as the 1996 document and contains similar provisions, but significant changes in the Synod's structure and Bylaws necessitated a new edition.

Rationale for Delegation

The LCMS Bylaws assign responsibility for all the property, financial, and legal matters to the LCMS Board of Directors:

The Board of Directors shall serve as the custodian of all property of the Synod as defined in Bylaw 1.2.1 (q). Except as otherwise provided in these Bylaws, it shall have the authority and responsibility with respect to the property of the Synod as is generally vested in and imposed upon a board of directors of a corporation. (Bylaw 3.3.4.7)

However, the Bylaws also provide for delegating parts of this responsibility to an agency of the Synod:

(b) [The Board of Directors] may, however, delegate to any agency of the Synod powers and duties with respect to property of the Synod for which such agency of the Synod has direct supervisory responsibility.

(c) Such delegation shall be in writing and shall be subject to change at any time by the Synod's Board of Directors, provided that reasonable deliberations, as determined by the Board of Directors, take place with such agency prior to the change. (Bylaw 3.3.4.7)

The purpose of this document is to present in detail the aspects of college and university property and finance that are to be delegated to the Concordia University System, the aspects that are not delegated, and the reports that will demonstrate appropriate accountability for this delegation of responsibility.

1. Responsibilities in the Bylaws Delegated to the Concordia University System

The Synod in convention has assigned the following responsibilities to the Concordia University System Board of Directors:

- (a) develop detailed coordinating policies and procedures for cooperative roles and responsibilities of the colleges and universities;
- (b) together with boards of regents and the Board of Directors of the Synod, coordinate institutional planning and approve capital projects in relation to campus property-management agreements and institutional master plans;
- (c) review and approve new programs and manage peer review of programs in the interest of the institution(s) and the Synod;
- (d) establish policy guidelines involving distribution of grants from the Synod (restricted and unrestricted) and efforts for securing additional financial support from other sources;
- (e) obtain data on liberal arts education and current trends and government regulations in higher education that impact upon collaborative efforts and relationships within the Concordia University System;
- (f) together with the Board of Directors of the Synod, establish and monitor criteria for determining institutional viability, fiscal and otherwise;
- (g) together with districts, congregations, local boards of regents, and national efforts, assist congregations and districts in student recruitment for both professional church work and lay higher education;
- (h) serve as a resource for the development of lists of potential teaching and administrative personnel;
- (i) upon request of the President of the Synod, assist in monitoring the ongoing faithfulness of all Concordia University System institutions to the Synod's doctrine and practices;
- (j) together with schools, districts, congregations, and national efforts, foster continuing education for ministers of religion—commissioned; and
- (k) have authority, after receiving the consent of the Board of Directors of the Synod by its two-thirds vote and also the consent of either the Council of Presidents by its two-thirds vote or the appropriate board of regents by its two-thirds vote, to consolidate, relocate, separate, or divest a college or university. (Bylaw 3.6.6.5)

2. Responsibilities in the Bylaws Delegated to the Boards of Regents

Bylaw 3.10.5.4 directs the board of regents at each institution to exercise stewardship of the Synod's property as follows:

- (h) It shall take the leadership in assuring the preservation and improvement of the assets of the institution and see to the acquisition, management, use, and disposal of the properties and

equipment of the institution within the guidelines set by the Board of Directors of The Lutheran Church—Missouri Synod.

(i) It shall operate and manage the institution as the agent of the Synod, in which ownership is primarily vested and which exercises its ownership through the Board of Directors as custodian of the Synod's property, the Board of Directors of Concordia University System, and the respective board of regents as the local governing body. (Bylaw 3.10.5.4)

3. Responsibilities Not Delegated

The LCMS Board of Directors retains the following responsibilities to itself.

3.1 The LCMS Board of Directors always has the right and responsibility to request reports and review actions:

(1) It shall receive such reports as it requests on the operations and policies of the mission boards, commissions, offices, and councils.

(2) It shall have the right to request review of any action or policy of a mission board, commission, office, or council which primarily relates to business, property, and/or legal matters and, after consultation with the agency involved and when deemed necessary, require modification or revocation thereof, except opinions of the Commission on Constitutional Matters. (Bylaw 3.3.4.5 [a])

3.2 It shall have the right to approve proposed changes to the Concordia University System corporate Articles of Incorporation and Bylaws. (Bylaw 3.3.4.5 [a] [2], above)

3.3 It shall appoint three delegates per triennium to the Concordia University System Council of Members, as provided in the Concordia University System Bylaws, Article I, Section 1.

3.4 It shall also take final action on requests for amendments to institutional master facilities plans and also take final action on requests to approve capital loans for construction and/or property purchases.

(b) [The Concordia University System,] together with boards of regents and the Board of Directors of the Synod, coordinate institutional planning and approve capital projects in relation to campus property-management agreements and institutional master plans. (Bylaw 3.6.6.5)

3.5 It shall approve proposed changes in the Concordia University System Line of Credit.

4. Reports and Documents Required from the Concordia University System

4.1 Copies of all Concordia University System board agendas and minutes shall be provided to the Chief Administrative Officer. (Bylaw 3.3.4.5 [a])

4.2 A summary of the institutions' fiscal results and audit results shall be provided annually to the LCMS Board of Directors' Audit Committee. This summary shall include long-term indebtedness. (Bylaw 3.3.4.6)

4.3 The fiscal ratios and methods for monitoring fiscal viability shall be reviewed annually with the LCMS Board of Directors' Audit Committee. Updates regarding institutions in financial difficulty shall be provided annually to the Board of Directors' Audit Committee, and more frequently to the board as needed. (Bylaw 3.3.4.5 [e])

- 4.4 Routine reports of the Concordia University System Line of Credit shall be provided to the Chief Financial Officer of the Synod.
- 4.5 Copies of the audit reports of the institutions and the Concordia University System corporation shall be filed with the LCMS Internal Audit Department. (Bylaw 3.3.4.6)
- 4.6 A copy of the triennial convention report shall be provided to the Chief Administrative Officer prior to publication in the *Convention Workbook*.

44. Concordia Plan Services

Concordia Plans Services President James Sanft explained the purpose for his time on the board's agenda, *i.e.*, to report regarding amendments to and the restatement of the Concordia Retirement Plan, effective December 1, 2010. He shared the content of the following summary statement of the amendments made, provided to the Board of Directors prior to the meeting and included in its meeting docket along with the "Restatement of the Concordia Retirement Plan" (attached to the protocol copy of these minutes).

In its November 2010 meeting, the Board of Trustees—Concordia Plans adopted a resolution to approve amendments to the Concordia Retirement Plan to incorporate a new alternate benefit design and restate the Plan effective December 1, 2010. Following is a description of the amendments.

Over the past ten years, LCMS employers have increasingly asked Concordia Plan Services about making changes in the Concordia Retirement Plan (CRP) that would better serve lay workers serving in positions with high turnover. This is especially applicable, although not limited, to day care and preschool workers. As a defined benefit plan, the CRP is well designed to provide retirement benefits for workers with long careers, such as our ordained and commissioned ministers, but in many cases it does not adequately serve the needs of lay workers who generally have more breaks in service and shorter careers in the LCMS. Because two-thirds of the workers currently enrolled in the CRP are lay workers, the staff of Concordia Plan Services (CPS) conducted a study over the past two years to determine what type of benefit design changes might be made to serve better the needs of lay workers. The goals of the study were to:

- Add flexibility to meet the needs of the Synod's varied ministries that hire many different types of workers
- Provide a retirement benefit with more value for the non-career lay workers who generally have shorter careers with the synod and experience more breaks in service (which do not work well in a defined benefit formula).
- Provide employers with a way to manage better the costs for high turnover, non-career workers.
- Ensure the long-term stability of the CRP by keeping all full-time LCMS workers enrolled in a single plan and not creating a separate plan.

The study included focus group meetings with representatives from districts, universities, schools, congregations, and day care centers to secure their ideas and to help in understanding their needs. Following much study by staff and its benefits consultant, Towers Watson, the following new alternate benefit design was developed and approved for inclusion in the CRP by the Board of Trustees for the Concordia Plans.

- The new Alternate Benefit is a cash balance account like the current CRP Supplemental Retirement Account, wherein the worker receives compensation credits and interest credits each year. The account balance is a bookkeeping record only and not a separate trust or investment account.
- Until the worker is vested (upon completion of five years of CRP membership), the amount of the compensation credit for the Alternate Benefit Account will be three percent (3%) times the workers compensation, and the employer's contribution amount will be three percent (3%) lower than the normal CRP contribution rate. After the worker becomes vested, the compensation credit will increase to six percent (6%) times the worker's compensation, and the employer's contribution amount for that worker will be the normal CRP contribution rate.
- The interest credit applied to the Alternate Benefit Account each year will be the same as is used for the Supplemental Retirement Account; namely, the 5-year Treasury rate from September of the prior year.
- Only lay workers are eligible to participate in the Alternate Benefit. Rostered workers (ordained and commissioned ministers of the Synod) are only eligible to participate in the existing "traditional" CRP (Primary Retirement Benefit, Supplement Retirement Account, and Retiree Medical Supplement) and may not be enrolled in the Alternate Benefit.
- Employers will have the option to elect whether to provide the Alternate Benefit design for their new non-rostered workers or to continue providing the "traditional" CRP for all of their workers. Also, if the employer elects to provide the Alternate Benefit, it can limit availability to either (1) all lay workers employed more than 20 hours per week by the employer; or (2) only hourly-paid lay workers employed more than 20 hours per week (not salaried lay workers).
- After an employer elects to provide the Alternate Benefit, only eligible workers employed after July 1, 2011, will be eligible to be enrolled in the Alternate Benefit design. Lay workers enrolled prior to July 1, 2011, will remain enrolled in the "traditional" CRP.
- Employers will be allowed the option to apply a one-year waiting period to the enrollment of their lay workers in the Alternate Benefit design. This means that upon hiring a lay worker, the worker would be enrolled in the Concordia Retirement Plan and Concordia Disability and Survivor Plan, and if eligible, Concordia Health Plan, but during the worker's initial year of employment there would be no CRP contributions paid by the employer and no benefit accrual for that worker; however, the year would count for vesting purposes. At the end of the waiting period, the worker would begin accrual of benefits in his/her Alternate Benefit Account.
- Workers enrolled in the Alternate Benefit design who are employed by an employer in *The Church's Plan* will also participate in the Retiree Medical Supplement (RMS). They will also be provided the \$10,000 lump-sum post-retirement death benefit if they participate in the CRP until age 55 and complete five years of CRP membership.
- Special rules are included in the CRP to cover situations such a disability, leaves of absence, and death.
- Upon termination of employment prior to retirement age (*i.e.*, age 55), the worker will have the option to receive a lump-sum payout of his/her Alternate Benefit Account or roll it over into another qualified plan. Or, the worker can leave the

- account in the CRP until age 55 or later (but not later than age 65), at which time he/she can annuitize the account balance into a lifetime benefit from the CRP.
- Upon retirement at age 55 or later, the worker will have the option to receive a lump-sum payout of his/her Alternate Benefit Account or roll it over into another qualified plan. Or, the worker can annuitize the account balance into a lifetime benefit from the CRP.

Although vesting in the CRP Alternate Benefit requires five years of membership in the CRP, based on research, staff feels that the new features of a reduced contribution rate being paid by the employer until the worker becomes vested, and the ability for the worker to receive a lump-sum payout of his/her account balance upon termination of employment, will be considered highly desirable and of greater value than the existing plan by those employers with lay workers in high turnover positions, such as day care and preschool positions.

As part of the process of making the above changes, staff and legal counsel also used the opportunity to re-structure the sections of the plan document to improve its readability and to update plan language related to top-heavy rules, nondiscrimination requirements, and other amendments required by law.

The end result is a restatement of the Concordia Retirement Plan effective December 1, 2010. A copy of the restated CRP is attached to this report. The restated CRP is also being submitted to the Internal Revenue Service for review and approval of continued qualified plan status.

The LCMS Board of Directors, in an action taken on February 23 – 24, 2006, gave authority to the Board of Trustees (formerly called the Board of Managers) for the Concordia Plans to amend the Concordia Retirement Plan as long as the estimated value of the change is less than 5% of the calendar year's actuarial liabilities. The change described above to add a new Alternate Benefit to the CRP does not exceed this permitted limit and, in fact, has little impact on the funding status of the CRP. Therefore, this report of the changes is herewith submitted to the LCMS Board of Directors.

Following his presentation, Concordia Plans Services President Sanft responded to questions from the board.

45. Koinonia Project

First Vice-President Herbert Mueller briefly resumed his presentation of the Koinonia Project, began during his officer's report, and invited comment and questions. After receiving several suggestions for possible improvements to the report, he asked that more time be provided on the agenda of the board's August meeting to discuss the project document more thoroughly.

46. Other Matters

Chairman Kuhn sought the board's input regarding how best to respond when correspondence is received from the Commission on Constitutional Matters providing opportunity for input from the board on matters before the commission.

Chairman Kuhn also called the board's attention to the question of the location of the board's next meeting, noting reasons for a decision to move the meeting to the campus of Concordia Theological Seminary in Fort Wayne. After discussion, a motion was introduced and carried to meet in St. Louis for the May 2011 board meeting. This was followed immediately by further discussion and a motion "that the board's meeting dates be moved up one day and that the site of the May 2011 meeting of the board be Concordia Theological Seminary in Fort Wayne." This motion was seconded and adopted.

Chairman Kuhn also invited conversation regarding the conduct and content of board meetings during the current triennium. Suggestions included:

- Discussion of the big picture
- Discussion and evaluation on improving process and procedures
- Building in time to address opportunities before the Synod each time the board meets.
- Give critical consideration to the items on the docket to determine which matters warrant more lengthy discussion and deeper examination.

47. Adjournment

After additional discussion of various and sundry matters, a motion to adjourn the meeting was introduced and carried and the meeting was closed with prayer.


Raymond L. Hartwig, Secretary