

**MINUTES
BOARD OF DIRECTORS**

**St. Louis Airport Hilton
February 9, 2023**

306. Board of Directors / Council of Presidents Conversation

The Board of Directors (BOD) and Council of Presidents (COP) shared a joint breakfast to facilitate discussion of matters of importance to the Synod in their respective spheres. COP chaplain of the day Roger Paavola, Mid-South District President, opened with a devotion based on Matthew 16:13–23.

COP Chairman R. Lee Hagan, Missouri District President, described developments in the council's work since it last met with the board. He noted the council's:

- profitably integrating regular scripture and confession studies led by council members.
- working through Hellmut Lieberg's *Office and Ordination in Luther and Melancthon*, which touches on many issues of priesthood and ministry.
- receiving of regular reports by the president, first vice-president, and secretary touching on important areas of the district presidents' administration. Hagan noted the Secretary's data and analytic work for the council, along with constant work supporting good order in administration throughout the Synod.
- handling of many regular and often assumed to be perfunctory duties of the council, such as placement, with care and earnestness.
- significant attention, especially since the last convention, to workers on candidate status.
- devotion of great time and finding of great unanimity on online communion, a very infrequent but highly discussed practice in the Synod.
- having thoroughly addressed, with former First Vice-President Mueller, the transition of Licensed Lay Deacons (LLDs) to SMP colloquy, and continuing to explore the relationship of priesthood and office and the Synod's ability to continue to sustain pastoral service in challenged contexts.
- continuing to discuss numerous facets of sexuality topics and the conduct of Synod members on the internet. The council is a valuable venue for the Synod and district presidents to counsel together on such issues, which are important to ecclesiastical supervision.
- continuing work, through its Clergy, Call, and Roster Committee, to modernize the handling of roster and call information for ordained ministers. The council has also, with the assistance of this committee, recently addressed immigration issues related to ministers.

Concerns at the council include:

- the future of providing pastoral care to congregations of Synod in the context of increased retirements, relatively low seminary enrollments, and shrinking congregation membership. How do we address this situation faithfully, honoring Augsburg Confession XIV but providing Word and Sacrament for many very small congregations, often not close together?
- the "long tail" of COVID-19: Presidents are discussing with congregations continued lowered attendance, also noted by the Secretary in the *Lutheran Annual*. Giving has remained strong, but this may lead to false security; worship attendance is down greatly and this has placed a great strain on the clergy, with burnout and depression resulting.
- We need our congregations to collaborate on a variety of issues, shared (not necessarily pastoral) ministry—catechesis, missions, outreach, etc. Our entities, too, are needed to collaborate.

Hagan noted the directors are in the council's prayers and offered congratulations to Chairman Kumm on soon finishing his course as a BOD member and chairman, as a man to be commended for his leadership and service to the church.

BOD Chairman Michael L. Kumm, picking up on Hagan's comments on the Secretary's work, prefaced his remarks by speaking appreciatively of the officer's extensive work for the board, the council, and many others in the Synod, and cautioned the Synod about the amount of work given to him, noting that he is "one man" and needs more help to accomplish all that is expected of his office.

Chairman Kumm noted the role of BOD as officer of *the Synod* and not simply of *corporate Synod*, underscoring its role, on behalf of the congregations, districts, and all other parts of the Synod as something of a "timing chain," trying to keep all the pieces of the Synodical engine running productively together in the definite framework established by our Constitution and Bylaws. In this regard, the BOD is considering the Synod's structures, to see how effectively and efficiently the member congregations are being served in efforts both for them and on their behalf. He suggested it may well be time again for a "deep look" at how all the pieces are working together, to look at structures, at service for and on behalf of the congregations, and, with a coordinated data effort, at where all the pieces individually need to move to move the whole Synod forward.

Kumm noted declining undesignated revenue to national Synod as one aspect of a Synodwide issue, which is felt in districts and congregations, which he outlined in a series of questions for discussion:

- How do we deliver present and future value to congregations that congregations see as valuable?
- What are and will be the needs for sustaining, revitalizing, and expanding Gospel proclamation where we are and where we could go?
- What does demographic change in our congregations and ministerium mean for how Synod needs to be serving in the next generation, or the one after that?
- What are the "business risks" and mission opportunities for our schools—parochial, secondary, and higher education—and how do we, as a Synod, support a conscious engagement with critical decisions that will likely dictate the future of our educational "powerhouse"?

Kumm cautioned that if national Synod, with contributions from BOD and COP, is not prepared to take a leadership role here, we will *be led*, probably in several different directions, and the outcome will at best be inefficient and at worst, incoherent. The board has already undertaken a significant effort to nurture the partnership among corporate and the entities and hopes, despite a variety of perspectives, that entities and districts will find in the board a partner "willing to support and engage the big discussions—which truly need to engage the whole Synod, all districts, down to all the congregations, and then across all the entities and agencies." Keeping all the pieces of the Synod "staying in the lanes" assigned to them by the congregations through their Constitution, Bylaws, and resolutions, is "a start." The board has also supported developing Synod budgets that reflect a coherent comprehensive strategy and that the board has been intent on adopting balanced budgets. CFO Nathan Haak has significantly developed financial reporting to provide understanding on budgets.

Kumm noted the seating of BOD regional members with their regions' district presidents and suggested inclusion of regional directors in regional meetings of the presidents to discuss the service of congregations' needs throughout the Synod.

Kumm noted a concern that "ties that bind" are frayed, and that we will see more and more practical "pulling away" in the Synod, which will diminish our strength and our ability to maintain "unity in the bond of peace." To be faithful "not in pieces but as a whole," to be stronger together and intentionally so, and to provide real value to the congregations of the Synod for every mission dollar invested in the common effort, we have a hard road ahead. He encouraged meetings like the current one as an opportunity to start these discussions.

Kumm closed noting significant turnover on the board of directors due to term limits, with six of twelve elected positions up for elections, with Kumm, Ed Everts, and Keith Frndak not returning. "We have had a wonderful run on this board," noting the collegiality of the group and that he can hardly remember a single

contentious vote. Kumm thanked COP, in his last meeting with the group, for its collegiality and willingness to have important conversations.

A question-and-answer period followed, with Hagan and Kumm fielding questions from the group.

- How are “staying in lanes” and finding new integrations or a new strategic, common path congruent? Kumm explained corporate entities and higher education institutions were formed for specific purposes. Boards of regents and directors can exhibit a tendency to want to go outside their constitutional and bylaw roles. BOD asks them to maintain consciousness of their designated places in the governance structure of the Synod and to work with others who have been given responsibility for other tasks, rather than replicating or competing with their functions.
- Noting concern at a temptation to “give in to decline,” what hope, plans, or strategy can we embrace domestically to continue planting and growth of churches, to stem tide of losses? If Christianity is due for a “revival,” what does that “revival” look like in our Synod? Hagan noted Chief Mission Officer (CMO) Kevin Robson can bring resources and conversation from the Office of National Mission. “There are great opportunities out there.” Hagan expressed hope that the council continues to explore best practices to meet challenges and opportunities proactively. “What’s our move in confidence, in Christ’s resurrection?” Kumm explained that BOD’s responsibility is, when the CMO and President develop strategic priorities, to fund them. Declining undesignated funds to national Synod make finding the flexibility to do that a perpetual challenge. BOD has to make hard choices; trying to do more with less, and that’s “simply a reality.” Technology is helping. We need more employee cross-training. BOD adjusts administrative priorities to make mission budgets work.
- Where are funding dollars coming from and how are major fund providers (congregations and districts) represented on the BOD and (understanding that skill sets are important) in appointments it makes? Kumm noted that one “can’t have a 35-member BOD.” Regional BOD members should be a help. BOD relies extensively on restricted funds to fund work. Allocating very limited undesignated dollars is a huge challenge. BOD has done assessments on IT, finance, now mission advancement. Too many entities in Synod are approaching the same people too frequently for the same money, to donor astonishment—a phenomenon that “needs to be looked at.” On appointments, Kumm explained the process and emphasized the importance of generating good nominations, explaining the process is designed for appointment of the best-qualified candidates given present needs, not representation of funding sources.

Hagan closed with appreciation for the discussion, invoking blessing on the board’s and council’s partnership in the Gospel.

307. Call to Order and Opening Devotions

Chairman Michael Kumm called the board’s February meeting to order with all members present (Keith Frndak, electronically). Also in attendance were Chief Administrative Officer (CAO) Frank Simek, Chief Financial Officer (CFO) Nathan Haak, Chief Mission Officer (CMO) Kevin Robson, and General Counsel Matt Buesching of Thompson Coburn. Chairman Kumm called upon First Vice-President Peter Lange to open with prayers.

308. Adoption of Agenda and Consent Agenda

Noting that the meeting was abbreviated to accommodate the foregoing discussion with the Council of Presidents, which Chairman Kumm suggested the board continue as a practice, he introduced the meeting agenda (p. 14/345) and consent agenda (pp. 17–18/345). These were moved and adopted, the consent agenda reading 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 non-controversial 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:

- Officer and related Strategic Reports
 - Office of the President, First Vice-President, and Church Relations
 - Secretary, Rosters, CCM, COH, and Conflict Resolution
 - Council of Presidents
 - Chief Administrative & Chief Financial Officers
 - Board of Directors
 - Legal, Risk Management, External Audit
 - Accounting
 - Human Resources
 - Internal Audit
 - Operations / Information Technology
 - Chief Mission Officer & BNM, BIM
 - International Mission
- National Mission
- Pastoral Education
- Mission Advancement
- Communications
- Commission on Theology and Church Relations
- Concordia Historical Institute
- Concordia University System
- KFUE Radio
- Board of Directors Committee Reports
 - Governance Committee
 - Personnel Committee
- Action Items
 - Approval of November 18, 2022; December 7, 19, and 22, 2022, LCMS Board of Directors Minutes

and be it further

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

309. President's Report

President Harrison extended briefly upon his written report (pp. 36–40; 294–97/345), the board moving into executive session.

309X. Executive Session I: President's Report

The board returned from executive session and the First Vice-President passed over his scheduled report in interest of time.

310. Chief Mission Officer Report

Chief Mission Officer (CMO) Kevin Robson extended upon his written report (pp. 90–105/345), noting first that the Boards for National and International Mission have been working on overtures for the 2023 Synod convention, suggesting the mission boards’ more direct role in developing strategic plans and impacting mission office budget proposals before they come to the board of directors (BOD). Proposed is new bylaw language that each mission board shall “annually review and endorse the [mission office’s] strategic plan and review and provide input on the [mission office’s] annual budget proposal before its presentation to the BOD.”

In order to accommodate this conversation, the mission boards would add an additional internet conference meeting each year to allow mission boards to review strategic plans in August or September and to endorse the plan before the November BOD meeting, with subsequent development from strategic plans to unit budgets to align with the existing annual budget process. Strategic plans are intended to cover a 3–4-year period, in accordance with CFO Haak’s intention to develop a multi-year budget planning process. Each mission board would approve the respective strategic plan, with BOD continuing to approve the budget.

CMO Robson noted other developments in the five units under his supervision:

- Office of International Mission (OIM): There has been “tremendous work” in the alliance missionary program, especially with the Evangelical Lutheran Church of Brazil (IELB). Over and above just over 100 career deployed missionaries sent by OIM from our Synod’s roster we have increased the number of alliance missionaries to 20, these being rostered by partner churches and supported by both bodies.
- Office of National Mission (ONM): Rev. Dan Galchutt, formerly Kansas District Executive, has accepted a call to serve as executive director and will start in March. A new Specialized Pastoral Ministry director, the Rev. Brian Heller, is in place. A church planting initiative, headed by Rev. Mark Wood, will involve very selective granting, in a framework faithful to our confession, with “continual reflection and improvement on whole process.” Harrison noted not a single *Ablaze* initiative church plant remains: “This is tough stuff.” Robson noted the present effort is a “whole new approach.”
- Office for Pastoral Education (PED): *Set Apart to Serve* continues to move along with a gift from the Schwan Foundation supporting a new module dealing with second-career individuals considering future church work. A new director, Rev. Jonathan Manor, is in place for the Post-Seminary Applied Learning and Support (PALS). The Pastoral Formation Committee is wrapping up an extensive report to the 2023 Synod convention on non-residential paths and improvements to the Specific Ministry Pastor (SMP) Program.
- Mission Advancement (MADV): CMO Robson and CAO Simek have selected Langley Innovations to perform the planned unit assessment. Major grant submissions have been made to the Lutheran Women’s Missionary League (LWML) and Schwan Foundation.
- Communications (COMMS): Executive director Michael Behr began work in January, already making a “profoundly positive impression” on members of the team. Robson responded to a question about the availability of doctrinal resources for “youth with questions,” perhaps on a website, that there will soon be much work on the Synod website to make resources more readily available. A proposal will be coming to BOD for a multi-year effort to revitalize Synod communications, anticipated to include a Spanish translation of the website.

At the end of the board’s agenda, CMO Robson noted as an information item that the \$1M authorized to Concordia International School—Hanoi at the board’s November meeting, previously indicated as to be split roughly evenly between building finishing costs and increased liquidity, will go in principal part toward building finishing costs.

311. Financial Report and Giving Trends

Chief Financial Officer (CFO) Nathan Haak commented on financial reports for September (pp. 62–89/345) and October 2022 (pp. 320–31/345), noting that Accounting is accelerating through year-to-date financials after the delay noted at the November meeting. He also noted that his intention going forward is to communicate most of the financial report details through a written docket report prior to the meeting, to make best use of board time.

Haak reviewed his high-level budget outlook (p. 78/345), noting that cash receipts for July–December are now up relative to the previous year due to the strongest December in the last five years. Donors “caught up” on much of the early softness in December; where those donations land (in terms of purpose restriction) will determine bottom-line impact.

Headcount stands at 185 FTEs relative to the maximum approved level of 197 due to vacancies and slow holiday hiring. This accounts for much of the underspending that will offset the below-budget revenue outlook. Additional hires, not requested this time, will need to be evaluated against the realities of the 2023–24 Fiscal Year (FY24) budget.

Haak explained a series of revenue projection slides (pp. 79–84/345), indicating actual results from FY18–22, three- and five-year averages, and calendarized actual results and rest-of-year budgets, revenue and expense, for FY23. Unrestricted gifts and grants are still showing approximately \$1–1.5M in assessed downside risk as we approach the year end. Other areas appear to be on track, factoring in strong December performance.

In year-to-date financials and program spend analyses, as of Sept. 30, (pp. 85–86/345), Haak explained that areas of expenditure and availability of applicable restricted funds determine the source of funds for “net asset release,” with any expenses not covered by that release hitting the unrestricted bottom line. Through the first quarter of FY23, that undesignated impact amounts to \$6.02 million (M), which has been met with districts receipts of \$3.03M and other unrestricted revenues of \$1.28M for a YTD operating deficit of \$1.71M. A Youth Gathering (YG) surplus of \$1.23M offsets this in the financials for the time being but will likely be restricted at year-end to future YG use. A decrease in net assets of \$6.00M reflects principally that restricted revenues are \$5.52M below net asset releases. Haak explained for each major area (p. 86) what proportion of expenses are covered by restricted funds and what hits the unrestricted bottom line.

Turning to standard macro metrics (p. 87), Haak reported, as of Sept. 30, a current ratio of 3.5, a program spending ratio of 86%, 252 and 49 days of cash on hand, respectively, including and excluding investments. Unrestricted net assets (p. 88) stand at \$35.0M, comprised of \$11.9M in undesignated funds; \$4.7M in plant, property, and equipment; and \$18.4M in board designated funds. There are no concerns generally about liquidity. Haak noted an Audit Committee discussion about cash balances, noting in particular the cash balance at the LCMS Foundation and the market value of that balance. As of December 31, \$49.2M has been invested with the Foundation with a present cash value of \$55.9M. Much of the investments are temporarily restricted funds; when the value of those investments drops due to market conditions, these (non-realized) losses are marked to unrestricted net assets. While there is no present need to liquidate depressed investments, market volatility can lead to significant balance sheet impact on undesignated, unrestricted net assets.

Haak reported sharing his convention report with Audit Committee. Giving in congregations has been incredibly strong; in 2021, for the first time, receipts per confirmed member exceeded \$1 thousand (k) per member, a total of approximately \$1.4 billion (B). The work-at-large portion stayed at a decades-long low of about 0.89%, reflecting “a continued struggle” for our model of funding work together. Through-district plate offerings support only about 20% of total national Synod expenditure. A board member noted that membership decline is countered by those remaining giving more. Haak noted there may be some “COVID-19 bump” for 2020 and 2021 but that remaining members are showing their commitment. President Harrison noted that an aging Synod has more aging donors giving more, but the time for this is limited.

CMO Robson noted acquisition of new donors, for whom we have a great track record of retaining donors. Haak questioned: Should Synod be funded by donors or by congregations? Restricted gifts are more and more dictating possible directions.

Audit Committee Chairman Keith Frndak cautioned that the conversion of overseas balance sheet items to corporate Synod cash has provided corporate Synod liquidity but has no net impact on the consolidated Synod balance sheet. He cautioned against overlooking operational deficits or inflating headcount because cash is in hand, especially with the risk of recession in the next 12–18 months. Board member Rick Stathakis, also a member of the Audit Committee, suggested that financial forecasting for 4–5 years is needed to guide present expenditures.

312. Audit Committee Report

Audit Committee Chairman Keith Frndak reported on his committee’s meeting the previous afternoon, noting Ed Everts chaired the meeting. The committee:

- Simek presented on international schools and the LCMS Holdings Wholly Foreign-Owned Entity (WFOE).
- Simek reported on the Synod insurance situation, noting the departure of a key Concordia Plan Services employee who managed it, leading to some questions about the future of the present arrangement.
- Concordia University System provided “largely tardy” financials for schools, which are “moving forward through challenges.” Frndak, commenting in general on the higher education sector, questioned reliance on potentially overvalued “legacy balance sheet values” for buildings and capital assets in an age when half of credits are taken online.
- Chris Wood updated on Internal Audit activities, with former executive director Joann Spotanski returning part-time to assist with certain activities in a period of reduced headcount. Work is proceeding on greater coordination with other activities.
- The Audit Committee will be working on a net asset policy and related investment policies, giving the Chief Financial Officer (CFO) “backup and direction” so that the CFO is not left alone to make decisions with exposure to market risk.
- Regular audit items were discussed, but nothing rising to a material level.

Audit Committee brought a motion, which was moved and adopted:

To enable the Chief Financial Officer to purchase Money Market Mutual Fund Securities with US Bank as custodian

WHEREAS, In Board Policy 5.3.7.4 the Chief Financial Officer (“CFO”) of the Lutheran Church – Missouri Synod (“LCMS”) has been authorized to open accounts for the purpose of trading in securities with specific authorization of the Board of Directors of the LCMS (“the Board”); and

WHEREAS, The LCMS has access to a Money Market Deposit Account (“MMDA”) at US Bank that utilizes Money Market Mutual Fund securities provided by First American Funds for earning interest on cash balances; and

WHEREAS, The current interest rate on MMDA accounts is in excess of 4% vs 0% on standard checking accounts; therefore be it

Resolved, That the Chief Financial Officer be authorized to purchase Money Market Mutual Fund securities in the US Bank MMDA account for the purpose of earning interest on cash holdings.

The board entered executive session.

312X. Executive Session II: Audit Committee

The board having returned from executive session, it was moved and adopted:

To provide a letter of financial support for the Concordia University System

WHEREAS, The Concordia University System cannot continue as a “going concern” without continued financial support of The Lutheran Church—Missouri Synod; therefore be it

Resolved, That the requested letter of support of the Concordia University System be issued by the Chief Financial Officer on behalf of the Audit Committee of the Board of Directors.

313. Governance Committee Report

Governance Committee Chairman Christian Preus reported on his committee’s meeting of October 26 (pp. 136–56/345). The committee addressed the following:

- A presentation by Marsh and Concordia Plan Services (CPS) on Synod insurance coverage. Preus noted board policies reflect the state of affairs before CPS came to be used for risk management services and that either the way the Synod handles insurance or the policies need to be changed to achieve consistency, reflecting an important decision needing to be made. If CPS is to continue handling risk management, the contractual relationships needs review and discussion; the change in CPS staffing noted above will also need to be reviewed. The Governance Committee hopes to bring a recommendation to the next board meeting, which may have budget impact. The board discussed various aspects of the insurance program and the potential for improved discussion with a broker about corporate Synod-specific and property and casualty exposures and coverages.
- Discussion has continued with CPS regarding background checks for appointments to their board. CPS has been asked for specifics about types of backgrounds checks to be conducted, along with a legal review of the proposed process.
- In the process of university and seminary borrowing, the board does not have a formal written policy for how subordination of reversionary rights is to be handled. Chief Administrative Officer (CAO) Simek has been asked to propose a policy requiring the CAO to approve subordination of reversionary rights.

Preus having noted that his committee’s development of a policy on expenditure of board-designated funds is still pending Audit Committee input, the Audit Committee noted that this remains on its agenda as an item of discussion in relation to cash position and the marking of investment assets to market.

314. Synodwide Entities Action Review / Lutheran Entity Activity Development Committee

Committee chairman Ed Everts updated the board on the committee’s ongoing work, noting that the committee proposes that the activity continue indefinitely with a rotating task force membership (presently Ed Everts, who will term out Aug. 31, Jesse Yow, and Andrew Grams) consisting of three or four board members, plus the members of the Operations Team. The committee would be well advised to communicate intensively with entity boards during strategic planning periods. The committee proposed a change in its name to “Lutheran Entity Activity Development” Task Force, which proposal was adopted by consent.

Everts noted staffing developments in the Lutheran Church Extension Fund (LCEF) Ministry Services Division as an area of interest, with the committee noting its intent to request information from LCEF under Bylaw 3.3.4.10 regarding this and any other non-financial divisions of LCEF. He read a February 6 letter received from LCEF Board of Directors Chairman Max Phillips regarding Board Policy 7.2.9, noting that he will arrange the requested meeting.

315. Personnel Committee Report

Personnel Committee Chairman Larry Harrington reported on his committee's internet conference meeting of January 10 (pp. 157–58/345). He noted the committee's review of and recommendations on:

- the Chief Financial Officer Annual Performance Review, to be discussed later in the meeting.
- the Salary Review and Recommendation Report, in which surveys indicated a probable range of 3–6% for FY24 increases, given inflation, including the possibility of a lower salary increase potentially augmented by a subsequent one-time bonus.
- market surveys suggesting an increase in salary ranges by 2.6%.
- allowances for the President and honoraria for the second through sixth vice-presidents.

Harrington noted three resolutions, dealing with salary increase, salary range adjustment, and allowances/honoraria, to be presented during action items.

Harrington also noted the Chief Administrative Officer (CAO) position is posted and that the posting has been shared with key Synod stakeholders. CAO Search committee Chairman Preus updated the board on this committee's work, noting six or seven nominations received at this point, fewer than desired. The stated deadline is the end of February. The committee discussed means of prompting further nominations. LCMS Human Resources Executive Director Nathan Thomas suggested using a search committee, circulating the request in broader circles, or advertising in Synod-related publications. The committee discussed the process for screening candidates to produce the committee interview list (these to be done by zoom in late March or early April), with the board anticipating interviewing two or three candidates at its May meeting. Preus encouraged board members to personally seek out highly qualified nominees. The committee also discussed the possibility that the search may not immediately result in an appointment.

Chairman Kumm noted the May meeting may need to be extended to accommodate both the budget meeting and CAO interviews.

The board entered executive session.

315X. Executive Session IIIA: Fiscal Year 2024 Salary Guidance

The board continued in executive session.

315XX. Executive Session IIIB: Chief Financial Officer Annual Performance Review

316. Concordia Seminary

The board continued in executive session.

316X. Executive Session IIIC: Concordia Seminary

317. Executive Session Minutes Review

The board continued in executive session.

317X. Executive Session IIID: Executive Session Minutes Review

318. Legal Report

The board continued in executive session.

318X. Executive Session IIIE: Legal Report

319. LCMS International Schools

The board continued in executive session.

319X. Executive Session IIIF: LCMS International Schools

320. LCMS Holdings

The board continued in executive session.

320X. Executive Session IIIG: LCMS Holdings

321. Concordia University Texas

The board continued in executive session.

321X. Executive Session IIIH: Concordia University Texas

The board returned from executive session. It was moved and unanimously adopted:

WHEREAS, The Concordia University Texas (CTX) Board of Regents (BOR) took action on November 8, 2022, changing its governance documents, with the effect of separating CTX from the LCMS; and

WHEREAS, The Synod Board of Directors (BOD) has informed the CTX BOR on several occasions, including at a January 12, 2023, in person meeting, of the effect and consequences of the CTX BOR's action and the need for the CTX BOR to take immediate action to reverse its November 8 action to bring CTX back within the Synod; therefore be it

Resolved, That the BOD again urge the CTX BOR at its February 10, 2023, meeting to reverse its actions that separated CTX from the Synod and to restore its governance documents to comply with Synod's Constitution and Bylaws and not to delay any further in making the reversal and restoration; and be it further

Resolved, That upon the CTX BOR's action restoring its governance documents and returning to Synod, the BOD remains willing to engage in further discussion with the CTX BOR to address remaining issues of interest in a manner consistent with Synod's Constitution and Bylaws going forward.

The board directed CAO Simek to distribute the resolution to the members of the CTX BOR before the end of the day.

322. 2019 Res. 7-03 Committee on Concordia University Governance

Committee chairman Christian Preus reported on developments in the 2019 Res. 7-03 process to revise Concordia university governance. The board was directed, in the noted resolution, to propose a new governance plan with the concurrence of the presidents of the universities. The committee provided the board with a draft proposal in February 2021, which was distributed to the Synod for input as required; changes were made in response. Actions by universities since have led many to question whether the approach was correct. One substantive change was made late, to include in the proposed bylaws an explicit financial component for a university opting to disaffiliate itself from the Synod. In October, as the final draft was being prepared for presentation to BOD, a university president contacted Preus with a proposal, joined by all presidents except Austin's Don Christian (who has absented himself from CUS president meetings of late), that they would make an alternative proposal, which Preus finally received February 8, immediately prior to a presentation on the topic to the Council of Presidents. The proposal strips out ten pages of material. There has been no time for a full review. At a high level, the alternative, while it accepts some minor changes from the existing proposal, suggests:

- retaining Concordia University System (CUS) rather than replacing it with a Commission for University Education (CUE), emphasizing CUS' coordinating role.
- replacing the detailed accreditation process with an informal and briefly-described regular visitation.
- not changing the universities from agency to affiliate status.

Preus noted very collegial work with presidents on the 7-03 committee (Friedrich, Dawn, and Bull), who now propose sweeping changes. They want CUS to have effective leadership that will foster coordination and collaboration. This will require finding an extremely capable leader—which will have an economic impact.

Preus explained that if a proposal is to be brought to the convention *under the 2019 Res. 7-03 instructions*, consensus with the presidents must be achieved in short term. It is too late to reconvene the full 7-03 group. Preus proposes the drafting subcommittee, consisting of Jon Bruss, Ed Meese, Secretary Sias (not a member of the committee, but “scribe”), and Preus, along with board members Jan Lohmeyer and Keith Frndak, and others as necessary, work with the presidents to come to a “realistic and workable” new document incorporating their real concerns, attempting to come to as much agreement as possible. Conversation has suggested the presidents' openness to explore issues on which the presidents' draft and existing proposal disagree, as well as potentially other concerns not considered in the alternative draft. Preus noted the intention to have this done by sometime in April, with the hope that the board could adopt a proposal having concurrence of the presidents at its May meeting.

Board members noted the desire to make substantive progress at this convention on the issue of higher education. By consensus, the board endorsed Preus' approach as described.

323. Action Items

Chairman Kumm presented to the board the following action items, as scheduled for the present meeting:

(A) FY24 Salary Increase Pool Guidance Resolution

The Personnel Committee presented the FY24 salary increase pool guidance resolution (p. 270/345) as follows. It was moved and, after clarification that the intention is for the budget to contain a pool of a given percentage within the noted range, adopted:

WHEREAS, The annual salary review has been completed; and

WHEREAS, Based on data points shared through market data surveys, it is recommended to budget 4.0 to 5.0% for salary increases in FY24 to retain existing talent in a highly competitive job market; therefore be it

Resolved, That the preliminary “salary increase budget” for salary adjustments and/or performance rewards for FY24 be set at 3.0 to 6.0%; and be it further

Resolved, That salary increase budgeting by the Operations Team include considerations for distribution of salary increases through base salary increases and one-time lump sum/bonus payments.

(B) FY24 Salary Range Adjustment Resolution

The Personnel Committee presented the FY24 salary range adjustment resolution (p. 271–72/345) as follows. It was moved and adopted:

WHEREAS, The salary range adjustment methodology has been validated by market survey data specifically reporting industry salary range projections; and

WHEREAS, The results of the analysis indicate an adjustment is required to remain compliant with the system; therefore be it

Resolved, That effective March 1, 2023, the salary ranges be adjusted by approximately 2.6% to reflect alignment with market survey data; and be it further

Resolved, That as of July 1, 2023, employees whose compensation falls below the minimum for their salary grade shall have their salary adjusted to reflect the new minimum for their grade to remain compliant with the system.

(C) President Allowances and Regional Vice-Presidents’ Honoraria

In response to the Audit Committee’s standing request, the Personnel Committee presented the customary annual resolution establishing these allowances and honoraria (p. 273/345). It was moved and adopted:

WHEREAS, The Synod President, as a full-time executive, has ancillary expenses due to extensive travel and vast ecumenical, ecclesiastical, and administrative responsibilities; and

WHEREAS, The Regional Vice-Presidents are elected officers of the Synod and advisors of the President and, upon the President’s request or as requested by the Synod, shall assist him in discharging his responsibilities or represent him; and

WHEREAS, The Accounting Department endeavors to prepare a comprehensive annual budget that reflects all expenses; therefore be it

Resolved, That President’s entertainment and vehicle allowances of \$10,000 and \$12,000, respectively, be approved and shall be included in the FY24 budget; and be it further

Resolved, That the FY24 budget include an honorarium of \$800 per month for each of the second through sixth Regional Vice-Presidents (for a total of \$48,000).

(D) Appointment to Fill Vacancy on LCMS Holdings Limited (Hong Kong) Board of Directors

Upon request of the LCMS Holdings Limited (Hong Kong) Board of Directors it was moved and adopted (p. 274/345):

WHEREAS, Ross Stroh and Daniel McMiller, board members of The LCMS Holdings Limited—Hong Kong (“Holdings”), submitted their resignations in January 2023; and

WHEREAS, Article 113 of the Holdings Articles of Association states: “The directors shall have power at any time, and from time to time, to appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing directors, but so that the total number of directors shall not at any time exceed the number fixed in accordance with these Articles. Any director so appointed shall

hold office only until the next following annual general meeting and shall then be eligible for reelection.”; and

WHEREAS, In a January 2023 Holdings Board of Director meeting, the remaining directors of Holdings resolved that Christian Boehlke be nominated and appointed as a director of Holdings, and that for the sake of good order said appointment become effective immediately and only upon the concurrence and endorsement of the Board of Directors of The Lutheran Church—Missouri Synod (“LCMS”); therefore be it

Resolved, That the LCMS Board of Directors concur with and endorse the action of the LCMS Holdings Board of Directors to appoint Christian Boehlke to serve as a director of LCMS Holdings.

324. Meeting Review

The board entered executive session to review the meeting according to its policies.

324X. Executive Session IV: Meeting Review

325. Adjournment

The board returned from executive session. Having concluded its agenda, the board adjourned. Chairman Kumm closed with the Aaronic benediction.

John W. Sias, *Secretary*