112. Call to Order
Chairman Michael Kumm called the board’s November meeting to order with all members present by internet conference due to COVID-19-related considerations. Also in attendance were Chief Administrative Officer (CAO) and acting Chief Financial Officer (CFO) Frank Simek, Chief Mission Officer (CMO) Kevin Robson, and General Counsel Matt Buesching of Thompson Coburn. Chairman Kumm opened the meeting with prayer and announcements regarding the electronic format of the meeting.

113. Adoption of Agenda
The meeting agenda (p. 8/287 of the printed board docket, attached to the protocol copy of the minutes) was moved and, after brief discussion, adopted.

114. Consent Agenda
The meeting’s consent agenda (pp. 9–10/287) was moved and, after the President of the Synod asked that his own report be removed from the consent agenda, adopted:

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

WHEREAS, The Board policy reads

3.6.2.1 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, Church Relations, and First Vice-President
  - Secretary; Rosters, Statistics, and Research Services; Commissions on Constitutional Matters / Handbook; and Conflict Resolution / Expulsion
  - Council of Presidents
- Chief Administrative Officer and Chief Financial Officer
- Board of Directors
- Legal, Risk Management, External Auditing
- Accounting
- Human Resources
- Internal Audit
• Operations / Information Technology
  o Concordia Historical Institute
  o Concordia University Systems
  o KFUO Radio
• Chief Mission Officer (plus Boards for National and International Mission)
• International Mission
• National Mission
• Pastoral Education
• Mission Advancement
• Communications
  o Commission on Theology and Church Relations

and be it further

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

115. Governance Committee Report

Governance Committee Chairman Christian Preus reported on his committee’s meeting of October 28 (pp. 91–93/287). The committee has noted a need for substantive changes to the board’s “executive limitation policies” and intends to continue this work in its January meeting. The committee also noted its strong desire that the deeper policy revision work of the BOD Policy Task Force, having recently been delayed by other more pressing matters, be resumed. The committee noted that BOD Policies 5.2.7.3 and 5.2.7.5 suggest countersignatures of the Chief Administrative and Financial Officers; the committee proposed a revision (p. 93/287) in view of the service of the Chief Administrative Officer as acting Chief Financial Officer, taken up during action items below. Revision of Recognized Service Organization policies will proceed once legal counsel has completed a review of the related form of agreement. Preus noted ongoing discussions with the Lutheran Church Extension Fund regarding the dual role of its board as the Board for Church Extension (Bylaws 3.10.7–7.1), a discussion expanding during the committee’s January meeting to include representatives of the remaining district Church Extension Funds, with a report to the board in February.

116. Personnel Committee Report

Personnel Committee Chairman Larry Harrington reported on his committee’s meetings of October 29 and November 6 (pp. 94–98/287). He noted the recommendations of his committee for the two vacancies to be filled during the board’s handling of action items. He also explained an action item to ratify explicitly the inclusion in the already-adopted budget of presidential allowances and regional vice-president honoraria, an item recommended in a previous audit. The committee also recommended that these be reviewed during the next budget process. Finally, Harrington noted Chief Administrative Officer Frank Simek’s decision to distribute certain meeting attendance responsibilities, under the board’s resolution (Minutes of August 28, 2020, agenda item 92), to Chief Mission Officer Kevin Robson and Executive Director Ross Stroh. The committee discussed reporting from those attending meetings and emphasized the importance of pertinent information, including “highlights” and “red flags,” being shared with the board.

117. Audit Committee Report

Audit Committee Chairman Keith Frndak reported on his committee’s very full meeting of November 17. He noted the Brown Smith Wallace audit presentation to occur later in the meeting and also the item from Concordia College—New York, leaving the details of these topics for later discussion. Regarding the audit, Frndak highlighted two items: first, that screening turned up some “unauthorized expense authorizations” in the past several years; LCMS Internal Audit has been asked to work with CAO / acting CFO Simek to revise related policies and procedures. Second, auditors noted (with regard to the corporate Synod component of the consolidated audit) the increase in board-designated funds, over the past five years, from $7.5 million (M) to $21.0M, at the same time that LCMS has indicated an accumulated undesignated, unrestricted net asset deficit increasing from $11.0M at the end of Fiscal Year (FY) 2016 to $16.2M at end
FY19. Although the deficit was reduced at end FY20 to $15.3M and has been further reduced since (to $13.6M as of Oct. 31, 2020), it was underscored that this deficit largely offsets the $21M the board has over time designated for specific purposes and recommended that the board and management review both the board’s designation of funds and the apparent freedom with which these funds are borrowed against for general expenditure in periods of deficit operation.

Turning to the report of LCMS Internal Audit, Frndak noted that the audit of Concordia University System (CUS) is progressing “very slowly.” Long-term software and building leases related to the dissolution of the Concordia Administrative Information System (CAIS) will need to be addressed, as well as the implications of the loan extended by LCEF to CUS in April as part of a change to how the universities’ lines of credit are structured. Frndak noted that the dissolution of the LCMS National Housing Support Corporation (NHSC) is still pending resolution of questions regarding certain federal funding; these are expected to be resolved positively. Districts have submitted their audits for last year. The audit of Concordia Historical Institute is progressing well.

The Audit Committee had asked staff to move toward bidding the audit process, but due to COVID-19, the complexity of the organization, and the degree of remote work involved in the audit, this has been paused, to be reviewed in one more year. Finally, the committee discussed with staff the need for an intentional succession plan for finance and audit teams. Staff is working on plans to share with the committee and board.

118. Financial Report

Ross Stroh, Executive Director of LCMS Accounting and Financial Services, presented the financial reports for September and October (pp. 98–113, 216–25) using a series of slides (pp. 279–87/287). Considering the first four months of FY2020–2021 (FY21), ended October 31, 2020, Stroh reported a surplus of $1.655 million (M), which is ahead of budget (favorable) by $1.467M. Considering the four main categories of revenue and expense:

- **Mission and Ministry** shows a positive variance of $783k, mostly in the Offices of International and National Mission. Global Mission fund revenue is ahead of budget, as are bequests; both units are underspending. National Lutheran School Accreditation fees have also accrued in advance of their expenditure.
- **Ecclesiastical Programs** shows a positive variance of $292k, due to reduced spending in Legal, Office of the President, Council of Presidents, and Church Relations.
- **Management and General** shows a positive variance of $1.045M, largely ($713k) due to unrealized investment gains.
- **Mission Advancement** is behind budget by $99k.

Stroh noted that unrestricted revenue/expense is running $553k behind budget, reflecting expenditure of Payroll Protection Plan (PPP) funds expected to be forgiven later in this fiscal year. Taking into account various timing factors and subtracting unrealized investment gains, the estimated effective gain, four months into the fiscal year, including $1.215M in anticipated PPP loan forgiveness, is $2.2M.

Presenting a new revenue tracking analysis of unrestricted funds received and restricted funds released (p. 282/287), Stroh noted that bequest revenue is ahead of budget by $224k and that conversion of National and International Mission restricted funds is behind budget by $2.5M simply because release occurs only on expenditure of funds; spending is significantly behind budget because of COVID-related impediments. In these areas, designated revenue of $8.5M leads expenditure of $7.3M. “Other” unrestricted revenue is ahead of budget $667k due to Mission Advancement’s effort to raise unrestricted funds. Overall, correcting for anticipated PPP loan forgiveness and ONM/OIM underspending year-to-date, total unrestricted revenue and restricted release are ahead of budget by $1.45M.
Stroh summarized cash on hand (p. 283/287) and net assets without donor restrictions, which have increased from $10.8M in FY20 to $12.4M (while this is positive and improving, this balance includes $21.1M in board-designated funds and $4.9M in net investment in land, buildings, and equipment, and so reflects an **undesignated unrestricted net asset deficit** of $13.6M). The board and Stroh briefly discussed the need, highlighted by the audit, to reconcile extensive and increasing board designations with this long-term, accumulated deficit.

Stroh noted a lower than typical program spending ratio (72.7%, relative to 79.0% in FY20), due to program work being limited by COVID but fixed costs continuing. Finally, he updated the board on the Payroll Protection Program. US Bank has opened the portal for forgiveness application; information is being gathered, with a plan to submit corporate Synod’s application before Dec. 31. It will likely take a few months for the determination to be made.

**119. President’s Report**

Chairman Kumm called upon President Harrison to offer the report pulled from the consent agenda. President Harrison noted with thanksgiving Iowa East District President Brian Saunders’ recent bypass surgery and recovery from COVID-19. The pandemic has significantly impacted International Center staff, with the facility and the Office of the President now functioning largely “at-home” through January.

Harrison noted a meeting with First Liberty, a religious liberty organization, reviewing an outlook for a “plethora” of religious liberty litigation under a new U.S. presidential administration, but also hopefulness for the Supreme Court’s increasing sympathy for religious liberty. He also reviewed as “very enlightening” and “insightful” a published set of surveys by the Office of Secretary and LCMS Research Services on the impact of COVID-19 on congregations, schools, and church workers; these he commended for study as restrictions return and discussions, sometimes sharp, continue in the Synod’s congregations over the handling of the pandemic. Such discussions, as well as concerns about their divisiveness and about families coming back to church, have been prominent in the nine district visitations his office has completed, eight done online. Districts continue to talk about potential needs for realignment; Bylaw 4.1.1.3 gives the board significant responsibility for any such process, but Harrison has reminded the districts that requests for such action need to come from the districts themselves as they consider their various situations and projections.

Harrison noted that the search process at Concordia Seminary, St. Louis, is moving forward, with the search committee getting close to handing a slate over to the electors for potential adjustment and an election. Enrollment is up at both seminaries. The 2019 Res. 7-03 process to revise governance of the Concordia University System is also moving forward, but a long-term desire for more local control from the colleges, in regard to regent and president selection, increasingly needs to be balanced with the need for strong Synod input in response to “enormous secular pressures” that “could draw institutions away from the Synod right quick.” The Commission on Theology and Church Relations is working on a large project to “elucidate the Large Catechism”; Harrison has requested the CTCR study the topic of racism and critical race theory, a topic of current interest and discussion in the Synod.

Program operations are carefully limiting spending; Making Disciples for Life Conferences are proceeding as best they can as online venues, stricken by COVID-19 limitations only shortly after getting off the ground with a “big success” pre-COVID, well-reviewed by participants. The Church Worker Recruitment Initiative has been extensively planned and is “moving forward nicely.” Internationally, Harrison noted a “Eurasian seminary project” with Riga Lutheran Seminary in Latvia, an accredited Bachelor of Theology program, leading to ordination, in English, and offering degrees throughout the European Union to students within and without, particularly where there has previously been no access to an orthodox Lutheran seminary. The Malagasy Lutheran Church has elected a new president, Denis Rakotozafy, who is a Concordia Theological Seminary, Fort Wayne, Ph.D. graduate. The Evangelical Lutheran Mission Diocese of Finland, orthodox and growing in the face of great cultural challenges, has unanimously declared fellowship with LCMS.
Concluding with a few domestic matters, Harrison noted an electronic meeting is anticipated with representatives of the Evangelical Lutheran Synod (ELS) and Wisconsin Evangelical Lutheran Synod (WELS) on Dec. 1. Plans for the 2022 convention of the Synod are ongoing, as are plans for observance of the Synod’s 175th anniversary. Disaster response is busy as always. Life marches are upcoming in January, with the Chicago March for Life shifting to Fort Wayne as a “life drive,” partially due to COVID restrictions in Chicago due to heavy LCMS involvement in Fort Wayne.

A board member noted a “great concern for the church body” that we “have many churches committing covicide,” with some congregations “simply going into hiding” and potentially losing their participating membership and possibly as a result suffering a “rapid demise.” President Harrison noted again that this is an “exceedingly challenging” situation with viewpoints differing across the church.

120. Legal Report

It was moved and carried to enter executive session.

120X. Executive Session IA: Legal Report

121. Concordia College—New York

The board continued in executive session to hear a report regarding Concordia College—New York, Bronxville, N.Y.

121X. Executive Session IB: Concordia College—New York

The board returned from executive session.

122. Report on Concordia Plans / Concordia Plan Services

Concordia Plan Services (CPS) President and Chief Executive Officer Jim Sanft and Concordia Plans Board of Trustees / CPS Board of Directors Chairman Jim Jaacks joined the board for a discussion of the state of the plans. Mr. Jaacks, who became chairman of the board in September, offered a biographical introduction, noting especially his 30+ years of professional experience in health care administration and related finance and Mr. Sanft’s significant role as chair of the Church Alliance. He reviewed requirements for those serving on the board of the Concordia Plans and the excellent actuarial, legal, investment, financial, and information technology capacities of the staff, as well as of the team of outside experts, consultants, and advisors providing investment and actuarial depth. These all comprise a great team, responsive to the board, working well in a complicated time.

Mr. Sanft presented a comprehensive overview, developed partially in response to questions collected from board members. The “imperfect storm” of contemporaneous challenges before CPS in 2020 include simultaneous demographic, economic, and legal and regulatory concerns:

- Demographically, there are challenges to the retention and growth of plan members, including contractions in the workforce across the Synod due to closures (including, in 2020, one university with 345 enrolled employees), reductions-in-force, early retirement, and natural attrition, all impacted by the coronavirus pandemic. The plan population is aging, with “baby boomers” retiring or approaching retirement, this element being fully accounted for in actuarial valuation models.
- Economically, short-term capital market assumptions turned downward prior to the pandemic. Institutional investors as a class have accepted more risk/volatility to achieve return targets.
Investment performance year-to-date for retirement, disability/survivor, and health trusts, relative to benchmarks, shows recovery though 2020 but significantly reduced gains relative to an “expected” year; private equity and real assets tend to lag gains in other asset classes and may be expected to recover somewhat further yet in 2020.

- In the legal and regulatory area, a change of presidential administration would mean increased regulation; a turnover of the Senate could mean significant legislative change. The Affordable Care Act seems likely to remain largely intact.

Sanft reviewed in more depth the performance of the various trusts:

- Concordia Health Plan contributions are below expected by 1%, reflecting a largely intact plan membership, but claims are lower by 11%, reflecting care postponed during the pandemic; a return to near-normal is expected in mid-2021 with some surge due to postponement. The surplus has been applied in significant part to a Jan. 1, 2021, rate relief for ministries and in part reserved for a potential rebound in care and resultant claims.
- Concordia Disability and Survivor Plan is running close to plan, except for reduced investment gains; even so, the plan has adequate surplus to cover liabilities. Markets have recovered their losses earlier in the year but have not produced a typical annual return.
- Concordia Retirement Savings Plan is close to expected contributions but again lagging in investment income. Contributions have increased 10% relative to last year, reflecting increased retirement savings by members even under pandemic conditions.
- Concordia Retirement Plan (CRP) contributions are down 3.8% from plan; investment income is positive for the year but 90% lower than expected; this gap will likely be closed somewhat when lagging assets catch up with 2020 gains in other asset classes.

Turning in detail to the Concordia Retirement Plan, Sanft reviewed actuarial valuations at Jan 1, 2019 and 2020. He noted CPS’ use of a Total Benefit Obligation (TBO) metric, which includes the actuarial present value of future contributions for active workers and of asset and liability cash flows for future active workers. On this basis, the plan shows a Jan. 1, 2020, actuarial value surplus of 3.4%, reduced from 6.0% on Jan. 1, 2019.

Sanft next described the work of two key Concordia Plans board committees with regard to the CRP:

- The Investment Committee oversees investment valuation and policy. CRP obligations are long-term, liquidity is required to meet normal cash needs, diversification is important, and the tax-exempt nature of the trust is significant. Reviewing asset allocation, Sanft noted the relative overperformance of the portfolio’s private equities, resulting in an allocation above the current target.
- The Actuarial Liability Oversight Committee balances assets and liabilities, with the input of inside and outside experts. They consider calculations that involve present and future contributions and obligations, expectations of future market performance, and an assessment of the sensitivity of projections to deviations of the various factors from expected levels, the goal being to guide timely adjustments that will prudently manage future risk with an adequate margin of safety.

Sanft highlighted a few key indications and CRP adjustments in the period from 2012–2020. Sanft explained the positive impact of the 2014 plan adjustment, made to secure the retirement plan’s long-term performance in light of the impact of the global financial crisis, as well as the impact on projections of 2015, 2016, and 2020 adjustments, in a conservative direction, of demographic and capital market investment return projections. CPS is now preparing a comprehensive 2021 review due to a post-2020 decrease in short-term capital market assumptions. (Interest rates have decreased to historic lows with capital market assumptions decreasing as a result; uncertainty related to the present coronavirus pandemic...
has also increased volatility for both markets and ministries. This is in the context of an expected drop in plan membership, due to “baby boomer” retirement, that is expected to level off going forward, presuming ministries generally continue to hire new workers upon those retirements.) CPS is closely monitoring this challenge to projected performance—although Sanft emphasized that it is of a much lower magnitude than the global financial crisis of 2008–09—and exploring potentially prudent adjustments.

With regard to plan participation, in 2020, by the end of September, new entrants are behind projections (hiring has slowed in the pandemic), but apart from the noted closure, terminations and retirements are also lagging projections, resulting in a net reduction in member count by only 500. Sanft underscored for the board the importance of stability of contributing worker enrollment as a factor in actuarial valuation projections.

“Levers” for management of plan health include investment policy, benefits, contributions, and the projected recovery time horizon, a lever that generally reflects changes to the other three. The current investment portfolio supports actuarial assumptions at a prudent level of investment risk.

Focusing on the contribution structure “lever,” Sanft noted the importance of maintaining consistent value for all participating ministries based on experienced cost of benefits. Retention and growth of plan membership is a key strategy moving forward. Sanft noted the number of working participants, currently, 30,348, is relatively steady since 2015. Of these, 67% are lay, 18% commissioned, and 15% ordained. 56% are presently in deferred or in-pay status, as opposed to actively working and contributing, reflecting a “mature” retirement plan. 77% of plan membership is from ministries involved in Lutheran Education; growth in schools at all levels has made up for an 8–9% decline in congregation and Synod/other categories since 2015.

Looking forward, CRP already captures 98% of the market for rostered workers in “core ministries” (congregations, Synod and related entities). Opportunities for growth include enhanced marketing of the plan to workers and possible development of expanded participation options. Recognized Service Organizations (RSOs), especially Tier II Mercy and Educational Service Organizations, and lay workers in RSOs in which CPS presently serves only rostered workers, present another opportunity, though one likely requiring alternative benefit options in a self-supporting contribution structure. CRP offerings may provide a marketable retention tool for lay workers in these ministries. Finally, Sanft noted the longer-term possibility under the Internal Revenue Code of retaining or expanding participation through an “affiliation model,” involving organizations less connected with LCMS governance structure but sharing “common bonds and convictions.” Increased plan membership spreads administrative expense over a larger pool and expands the base of net contributors, covering normal cost and deficit recovery.

Mr. Jaacks concluded that economic, demographic, and legal/regulatory challenges create significant headwinds for CPS, but that a good team is in place at governance, leadership, and consultancy levels, prepared to make the right decisions for long-term plan performance. The coronavirus pandemic has “created opportunities to serve LCMS and ministries in new ways—we need to build on this momentum.”

In brief discussion with the board, Sanft noted that he is “bullish” on Lutheran education, a very significant contributor to the plans, especially among lay workers, the “economic engine” of the plans. (Among lay workers there is growth potential and also less likelihood of spending a full career and incurring a full benefit obligation.) Sanft noted “great stories” in Lutheran education, even in the coronavirus pandemic. Chairman Kumm thanked the guests for a well-organized and exceptionally informative presentation.

123. Fiscal Year 2020 (ending June 30, 2020) Audit Presentation

Janet Ramey, Frank Megargel, and Thomas Hill, all of Brown Smith Wallace, presented “Communications to the Board of Directors” in connection with their audit (also provided in draft form in advance of the board meeting) of the June 30, 2020, consolidated financial statements of corporate Synod and related entities, including Concordia Plan Services; the LCMS National Housing Support Corporation (pending dissolution); LCMS Holdings, Ltd., Hong Kong; and the Lutheran Center for Religious Liberty (pp. 202–
Ramey thanked Jim Ehlers and Ross Stroh of LCMS Accounting for their excellent cooperation and reported an unmodified audit opinion with an emphasis of matter paragraph noting the susceptibility of “financial performance, estimates, reserves, contracts, and operations in the next 12 months” to potential impacts of COVID-19 “currently unknown and depend[ing] on uncertain and unpredictable developments.”

No material weaknesses were identified, although auditors did point out a significant deficiency (not a material weakness) related to disbursements, fully consistent with previous years. This was discussed with the Audit Committee and is being addressed by staff. No adjusting journal entries were required in the audit process, and cooperation from management and LCMS Accounting was “top-notch” with deep knowledge of the organization that speeds the audit process. No difficulties, disagreements, consultation with other accountants, or independence issues were encountered.

Thomas Hill presented a financial analysis for the corporate Synod component of the consolidated audit. Hill noted a pattern of deepening accumulated deficit in undesignated net assets between 2016 and 2020. Board designations have increased through the period but, due to operational expenditures not met with sufficient unrestricted revenue or restricted fund releases in previous fiscal years, are largely offset by an unrestricted net asset deficit accumulated over the long term. (These funds “borrowed against” over time are free of donor restriction but have been set aside by the board from previous years’ undesignated net assets or from property sale proceeds for specifically planned purposes; as of June 30, 2020, $15.3M of $21M in board-designated funds are offset by the undesignated net asset deficit.) Several of the board-designated funds have remained unused throughout the period, suggesting that funds should be reallocated to correct for accumulated operational deficits. The board may have to adjust its designations to realize and “wipe out” the accumulated undesignated net asset deficit.

Reflecting a trend common to all nonprofits, the restriction of gifts by donors has been increasing over time throughout the period, another concern for the board to consider in terms of resources generally available going forward. From a total support perspective, COVID has slowed processing of bequests. Finally, Hill noted steadily declining district revenue—corporate Synod’s principal source of precious unrestricted funds—tightening constraints on the operating budget (district revenues, reflecting what districts pass along to Synod from unrestricted congregational gifts to district and Synod, have declined from $14.8M to $13M over five years). Nonetheless, corporate Synod net assets are continuing to increase in all categories year-to-year from 2018–20, reversing a negative trend from 2016–18 and reflecting controlled expenditure favorably matched by revenue.

Finally, Hill reviewed LCMS’ ratio of functional to total expense. The program spending ratio, the proportion of expenditure that goes to the LCMS mission as opposed to management and general or fundraising expenses, has increased to 77 and 79% in the last two years, comparing favorably to the “rule of thumb” target of 75%.

Audit Committee Chairman Frndak noted the recommendation of his committee that the audit be accepted, while highlighting as “concerns” the consolidation of the largely illiquid assets of LCMS Holdings, Hong Kong, in the consolidated audit, as well as the new LCEF loan to CUS occasioned by the past year’s change to the universities’ lines of credit, and the increase in board-designated funds from $7 to $21 over five years in the context of a significant offsetting accumulated undesignated net asset deficit. Further discussion noted a need for improved longer-term forecasting of district receipts, which means a discussion with the districts as to factors involved and coming to an understanding of, or better, a common approach to improving, the future situation.

124. Report on the 2019 Res. 7-03 Committee on Governance of the Concordia University System

Christian Preus updated the board on the progress of the committee working under 2019 Res. 7-03 on a new governance model for the Synod’s colleges and universities (pp. 152–98/287). A report is due 15 months prior to the convention, to come from the Board of Directors, with input from many others. The committee, including representatives of the various participants, has drafted and is receiving feedback on a
proposal; the board, however, is finally responsible for presenting a plan to the Synod. Action will likely be necessary at the board’s February meeting to meet the schedule specified in the resolution. Significant concerns from the board as a whole or from its members individually would best be known in the near-term.

Preus noted that 2019 Res. 7-03 specifically called for “strengthening” of Concordia University System (CUS) institutions’ connections to the Synod and of the “confessional Lutheran identity of all CUS institutions,” but only assigned “for review” various other areas. The committee has reviewed these items but does not understand “review” necessarily to imply “change” where no clear impetus or direction for change becomes apparent. He reviewed for the board the general approach taken by the committee and some of the items on which discussion continues with some process participants:

- Fundamentally, the approach has been to adopt a “two-kingsdoms” model, with a new “affiliate” model of relationship to the Synod, giving boards more flexibility and accountability on the left-hand or “secular” side, with Synod concentrating on the right-hand or “ecclesial” aspects of the schools’ relation to the Synod and its mission.
- Proposed also is the replacement of Concordia University System (CUS) with a new Commission for University Education (CUE), dedicated to right-hand-kingdom issues—to strengthening both the connection of the institutions with the Synod and its mission and the confessional Lutheran identity of the institutions. The commission’s work would focus on a new process of theological accreditation, which would involve not simply curriculum but overall campus life, both for church workers and for other students. It would also coordinate and oversee the preparation of commissioned church workers and pre-seminary students in the affiliated schools.
- Some time was spent on the issue of collaboration among institutions, a strong interest of board of regents focus groups. Collaboration can be either top-down or bottom-up; the latter model ultimately seemed to the committee a better approach. CUS has attempted to facilitate collaboration but only with difficulty; it falls more naturally within the scope of the responsibilities of the boards and presidents. This conclusion has been well-received conceptually by the boards and presidents, but the question remains whether individual institutions will overcome obstacles to collaborate effectively, as probably is necessary for the long-term health of the schools as a whole.
- Much bylaw detail on the left-hand responsibilities of the boards has been proposed to be removed; right-hand material would become more comprehensive. This distinction runs consistently though the whole proposal, as does a determination to focus on the first two bullets: to strengthen the schools’ ties to the Synod and its mission and to strengthen their Lutheran confessional position.
- An analysis has been performed of support provided over the years from corporate Synod to the schools, originally in the form of subsidy and more recently in terms of debt relief and interventional gifts. The idea has been floated that corporate Synod could, under the new bylaws, offer “carrots rather than sticks” to proactively support activity aligned with Synod’s mission, especially the training of church workers.
- Minor details of administration and faculty have been addressed. Means for selection of regents and university presidents have continued to attract some suggestions for change, but the committee has not identified either a clear necessity or a suitable change in these areas at this time.
- There has been some discussion on CUE member selection and accreditation process and of the level of detail to be included in bylaws or yet to be developed. Most involved in the process so far comment that this is a good approach, but question how broad and deep the accreditation process is and how it will be implemented. Continuing discussion on this point is expected.
Preus concluded that while a detailed draft has been composed and while the fundamental approach is not likely to change, discussion continues with boards of regents, university and district presidents, and others, and that discussion is likely to result in fine-tuning of many aspects of the proposal.

It was moved and carried to enter executive session.

124X. Executive Session II: Report on the 2019 Res. 7-03 Committee on Governance of the Concordia University System

125. Board-Designated Funds

The board returned from executive session. Noting that the report of Synod’s auditors had mentioned the board’s significant fund designations, largely offset by the accumulated undesignated net asset deficit ($13.6M as of Oct. 31, 2020), LCMS Accounting and Financial Services Executive Director Ross Stroh reviewed outstanding designations of funds by the board (p. 287/287), totaling approximately $21.1M, and a proposal for release of certain funds from designation. Upon this cursory review, Chairman Kumm asked, and the board by general consent directed, that CAO Simek and Stroh present to the board in detail on this topic at its February meeting, with action postponed until then. Chairman Kumm also asked CAO Simek to investigate and report back on any policies or directives of the board related to borrowing against funds designated by the board for “future projects.”

126. Presidential Consultation re Congregational Vote on Delaying 2022 Synod Convention

Chairman Kumm introduced two memos, shared in advance with the board, related to an ongoing discussion of the possibility of deferring the 2022 Synod convention in order to allow districts to have another year to schedule their district conventions due to their experiencing COVID-related challenges. President Harrison explained that it appears simply not possible to have responsible and reasonably full-fledged conventions in some places, with even some contingency plans extremely challenging. A poorly-attended convention or less than fulsome convention, which might be able to be held, proves concerning for other obvious reasons.

The Constitution of the Synod allows the President to put a question such as this before the congregations, as was done in 1944. The COP voted unanimously this week to ask President Harrison to put this before the congregations of the Synod. Harrison briefly discussed the potential financial implications of a cancellation or deferral of arrangements and suggested holding the 2019 convention surplus to help provide for this contingency.

In discussion, board members suggested that, if possible, this decision might well be deferred, noting that only two districts have conventions in the first quarter and that it’s hard to know what next summer will be like, or whether, worst case, we might be faced with a similar situation in spring of 2022. Districts have the whole 2021 calendar year to have their conventions and might be able to shift them to September 2021 or later, but still accomplish them within the year. Also discussed was the strong diversity of opinions within the Synod regarding the coronavirus pandemic and its handling and concern that the regular governance mechanisms of the districts and Synod not be perceived as being manipulated unnecessarily. On the other hand, it was observed that the Council of Presidents seems to be assuming this is moving forward; districts are a year closer to realizing arrangements and are needing to make plans. Many are expecting this will move forward.

Secretary Sias noted, in response to a question about the constitutionality of delaying the convention, that the Commission on Constitutional Matters will be considering the matter the following Monday and will thereafter issue an opinion. A vote of the congregations would, realistically speaking, take a couple of months.
A board member shared his concern, principally for the congregations of the Synod, that the risk of “covicide,” of giving up on the church’s essential activities because of the difficulties of the pandemic, should be a real concern.

The President having received the board’s consultation on the matter, in accordance with Const. Art. XI B 8, Chairman Kumm commended the matter to him.

127. Action Items

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

(A) Revision of BOD Policies 5.2.7.3 and 5.2.7.5, regarding CAO/CFO countersignatures

Chairman Kumm introduced the policy item treated in the report of the Governance Committee (p. 93/287). It was moved and adopted:

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

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

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

Resolved, That the Board of Directors adopt the changes to The Lutheran Church–Missouri Synod Board of Directors’ Policy Manual, Section 5.2 (BOD Policies for Agencies of the Synod) as shown on p. 93/287 of the board docket, included in the protocol version of the minutes; and be it further

Resolved, That the board also direct the table of contents, index and other references to be updated as necessary.

(B) President Allowances and Regional Vice-President Honoraria

The audit team was unable to identify documentation regarding an annual budget item. As a result, management asks that the Synod Board of Directors review and confirm/endorse the following practices that have been in effect since before the current administration (p. 144–45/287):

1. The Synod President’s allowances for entertainment ($10,000) and vehicle expenses ($12,000), annual amounts paid on a semi-monthly basis (last addressed in Feb. 2014 as part of the FY15 budgeting process);
2. The second–sixth Vice-Presidents’ honoraria. Each, serving the Synod in a non-employee capacity, receives an annual honorarium of $9,600, totaling $48,000 annually for the five regional vice-presidents.

These expenses are and have been included each year in the President’s Office expense budget that is approved by the Board. In response to the Audit Committee’s request, the Personnel Committee encourages the board to include these items each year in its annual resolution setting officer salaries.

It was moved and—after some discussion about the level of detail presented to the board in the budget process, noting a desire for further specific discussion of this item in the next year’s budget, and after clarification that this resolution is merely an explicit ratification of an expenditure already included in the budget—adopted (the President abstaining):

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 the President’s entertainment and vehicle allowances of $10,000 and $12,000, respectively, be approved and included in the FY21 budget; and be it further

Resolved, That the FY21 budget include an honorarium of $800 per month for each of the second-through sixth Regional Vice-Presidents (for a total of $48,000).

(C) Board for International Mission Vacancy (Central Region, Individual Member, 2016–22 term)

Midterm vacancies in positions filled by election at the Synod convention are filled by the process specified in Bylaw 3.2.5, with the board’s role further defined in its Policy 5.7.2.2. The resignation of the Rev. Dr. Carl E. Rockrohr from the Board for International Mission has required the Board of Directors to make an appointment to fill the resulting vacancy (pp. 146–47/287; pp. 53–125 of the supplemental appointments book):

LCMS Board for International Mission

(1) one individual member representing the Central region for the remainder of the 2016–2022 term (less than one-half term)

The LCMS Office of the Secretary sent out a call for nominations on August 28, 2020, requesting response by September 30, 2020, and, assisted by the LCMS Department of Human Resources, compiled information on all nominees, including the slate of candidates from the previous convention. This information was submitted, in its entirety, to the Standing Committee on Nominations, to the Personnel Committee, and to the Board of Directors for inclusion in the board appointments book.

The Standing Committee on Nominations, having evaluated all submitted nominations, biographical sketches, and confidential evaluations, having been charged to select a slate of no fewer than three and no more than five candidates, on October 29, 2020, presented the following slate to the board (except as noted):

Candidates (three to five selected by the Standing Committee on Nominations)

** Peter N. Kirby — Saint Louis, Missouri (MO)
David L. Mahsman — Saint Louis, Missouri (MO)
** David A. Mommens — Columbia City, Indiana (IN)
* William F. Zwick — Harrison, Arkansas (MDS)

Non-candidate consenting nominees

Mark E. Krause — Springdale, Arkansas (MDS)
Derek A. Roberts — Maryville, Tennessee (MDS)
* William F. Zwick — Harrison, Arkansas (MDS)

* added to the slate of candidates by the Board of Directors as allowed under Bylaw 3.2.5 (d)
** from the 2016 Convention Slate of Candidates

The Personnel Committee met on October 29, 2020, and November 16, 2020, and recommended that the board add Rev. Zwick to the slate of candidates. The board, having considered the slate of candidates, as well as nominations, biographical statements, and evaluations of all consenting nominees, and the recommendation of its own Personnel Committee, shared in its oral report, took the following actions:

It was moved and carried to add Rev. Zwick to the slate of candidates.

The board, in one electronic ballot and by a majority vote, elected for appointment to fill the vacancy:
The Secretary of the Synod is charged, thereupon, to notify the appointee and to thank the other nominees, on behalf of the board, who allowed their names to be considered.

(D) Board of Trustees, Concordia Plans / Board of Directors, Concordia Plan Services Lay Vacancy

The President and CEO of the Concordia Plan Services informed the LCMS Office of the Secretary that Ms. Brenda P. Blisk, a layperson member re-appointed in May 2020 by the LCMS Board of Directors has resigned her position; therefore it became necessary for the LCMS Board of Directors to make an appointment under its Policies 5.7.2.1.6–9 to fill this vacancy position (p. 148–49/287; pp. 1–52/125 of the supplemental appointments book):

**Board of Trustees—Concordia Plans /Board of Directors—Concordia Plan Services**

**(1) one layperson member**

for the remainder of the 2020–2023 term (more than one-half term)

The LCMS Office of the Secretary issued a call for nominations on July 15, 2020, requesting responses by August 31, 2020, and, assisted by the LCMS Department of Human Resources, compiled information on the one new nominee and received consent from remaining slate of candidates from the May 2020 appointment process to again allow their names to stand. This information was submitted, in its entirety, to the Personnel Committee, and to the Board of Directors for inclusion in the board appointments book. The Personnel Committee having, in its meetings of October 19 and November 16, evaluated all submitted nominations, biographical sketches, and confidential evaluations, presented the following slate to the board:

**Candidates**

Daryl R. Dagit – Pekin, Ill. (CI)
Alexander K. LaBrie – Orange, Calif. (CNH)

**Non-candidate eligible nominees**

Cynthia Linkes — San Antonio, Texas (TX)
Julie A. Patterson — Richmond, Va. (SE)
Gordon D.Tresch — Kenmore, N.Y. (EA)

The board, in one electronic ballot and by a majority vote, elected for appointment to fill the vacancy:

Daryl R. Dagit – Pekin, Ill. (CI)

The Secretary of the Synod is charged, thereupon, to notify the appointee and thank the other nominees, on behalf of the board, who allowed their names to be considered.

(E) Acceptance of FY20 Audited Consolidated Financial Statements for The Lutheran Church—Missouri Synod

Returning to the audited consolidated financial statements for the year ended June 30, 2020, presented above, it was moved and adopted (p. 148/287):

**WHEREAS,** The Audit Committee of the Board of Directors met with representatives of Brown Smith Wallace and management to discuss the audited consolidated financial statements of The Lutheran Church—Missouri Synod for the year ended June 30, 2020, and made inquiries of them regarding the audit; and

**WHEREAS,** The Audit Committee received a summary of the required communications from representatives of Brown Smith Wallace in accordance with generally accepted auditing standards; and

**WHEREAS,** The auditors’ opinion on the financial statements, dated November 18, 2020, is unmodified; and
WHEREAS, The auditors did not identify any material weaknesses in internal control during this audit; and

WHEREAS, The Audit Committee unanimously approved the audit report for presentation to the Board; therefore be it

Resolved, That the Board of Directors accept the audited Consolidated Financial Statements of The Lutheran Church—Missouri Synod for the year ended June 30, 2020.

128. 2019 Convention Surplus

Chairman Kumm noted that this item will be held for the board’s February agenda due to the potential postponement of the 2022 Synod convention.

129. Meeting Review

It was moved and carried to enter executive session for the board to review the meeting according to its policies.

129X. Executive Session III: Meeting Review

130. Adjournment

The board returned from executive session. With the agenda concluded, Chairman Kumm called upon Peter Lange to offer a closing prayer and the board adjourned. Chairman Kumm thanked the board members and staff for their labors.

John W. Sias, Secretary