

**MINUTES**  
**BOARD OF DIRECTORS**  
**February 15, 2019**

**234. Call to Order and Opening Devotions**

Vice-Chairman Ed Everts, serving as Chairman for the meeting in Chairman Kumm’s absence, called the board’s February meeting to order with all other board members present except for First Vice-President Herbert Mueller, who joined later in the morning due to his existing preaching obligation at the International Center and the last-minute, weather-related relocation of the meeting to the Hilton St. Louis Airport Hotel. Members Christian Preus and Kurt Senske joined the meeting remotely, by teleconference (for the first morning session and for the day, respectively). Also in attendance were Chief Administrative Officer Frank Simek, Chief Financial Officer Jerald Wulf, Chief Mission Officer Kevin Robson, and General Counsel Sherri Strand.

Chairman Everts called upon the Rev. Josemon Hoem to offer opening devotions, which he did on the basis of Matthew 5:16, “Let your light so shine before men, that they may see your good works and give glory to your Father who is in heaven.”

**235. Adoption of Agenda**

The meeting agenda (p. 186/191 of the printed board docket, attached to the protocol copy of the minutes) was moved and adopted.

**236. Consent Agenda**

The meeting’s consent agenda (pp. 12–13/191) was moved and 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 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 Reports
  - Report of the LCMS President
  - Report of the First Vice-President
  - Report of the Secretary
  - Report of the Chief Administrative Officer
  - Report of the Chief Mission Officer
  - Administrative Services Reports
    - Human Resources (Confidential)
    - Financial Services Reports
      - Risk Management

- Internal Audit
- Accounting
- Board of Directors Committee Reports
- Governance Committee and be it further
- Personnel Committee
- Action Items
- Approval of November 15–16, 2018, Minutes

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

### **237. President Harrison’s Report**

Chairman Everts called upon President Harrison to extend upon his written report (pp. 31–34/191). President Harrison reported that things are going “swimmingly for a convention year,” and that the church is “calm for a convention year.” He noted progress toward the convention: Praesidium nominations are due to be received from congregations on February 20. Floor committees have been established and selected, and the board will have an active advisory role in various committees dealing with overtures related to its areas of responsibilities. Approximately 300 overtures have been received, with March 2 the deadline for on-time submission.

The Office of International Mission, Harrison noted, has been doing a remarkable job with good support from the Chief Mission Officer. A few years ago, there were two ordained and three lay missionaries in Central and South America; today we have 45 missionaries, a new seminary, 115 deaconesses in training, and a new hymnal on the way for 15 church bodies requesting it. The Lutheran Church in Chile has doubled in size. In Spain, pastors have been added and are supporting worship in 20 communities. The number of pastors in Central and South America has been doubled, and the Lutheran Synod in Mexico is greatly strengthened. In Asia, the transfer of the regional “headquarters” to Taiwan “has been excellent.” In March, Harrison plans visit there with regional staff and to visit the International School at Shanghai.

Harrison noted the recently concluded Council of Presidents meeting near Asheville, North Carolina. Doxology, an organization advancing the soul care of pastors, presented to the council for the first time. Doxology combines traditional, classical care of souls, represented by the Rev. Dr. Harold Senkbeil, with clinical psychology, represented by Dr. Beverly Yahnke. Fascinating statistics were presented on church worker well-being. The council, which welcomed many new members after the 2018 district conventions, is “proving an excellent body;” “an excellent, collegial spirit prevails.”

### **238. Financial Report**

Chief Financial Officer (CFO) Jerry Wulf presented the financial report (pp. 51–52, 69–88/191), supplementing his report with information on recent transactions that collectively and significantly improved Synod’s cash position as of the end of January. As of Dec. 31, corporate Synod’s current ratio stood at approximately \$2.50 in current assets to \$1.00 in current liabilities; this increased by Jan. 31 to approximately \$3.50; the quick ratio stands at \$2.48 in assets per \$1.00 of current liabilities, with 100 days cash on hand at the current spending rate. The program spending ratio stands at 70%, and the cost of raising funds at \$0.083 per dollar raised.

Wulf summarized transactions that have contributed to this improvement in cash. Concordia International School Hanoi repaid to the LCMS startup costs of \$2.1 million (M), approximately \$400k of which is accumulated interest, previously booked by corporate Synod as “assets due from related entities.” Concordia International School Shanghai also, in a one-time opportunity afforded by a transition of organization under Chinese education law, is returning a dividend of \$4.05M, likely to be reflected in March financials. It was moved and carried to enter executive session to discuss ongoing property transactions soon to further impact cash.

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### **238X. Executive Session I: Financial Report**

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The board returned from executive session. Wulf continued to report that, as of Dec. 31, total cash was over \$12M, the fifth-highest balance at that point in the fiscal year in the last eleven years. At the same time, funds on deposit from seminaries were at the lowest point in the eleven-year period, at around \$1M. Funds held in custody for other parties were also at a minimum of \$700k. Cash available to corporate Synod for operations (that is, cash excluding that held for others as well as cash received for youth gathering), at \$7.7M, is the fourth largest Dec. 31 amount available for corporate Synod operations in the eleven-year period. To a board member's question about the seminaries having lines of credit with Synod while also having funds on deposit, Wulf noted that the lines of credit are routinely authorized up to 10% of each seminary's previous year operating expenditure and have not been drawn on.

### **239. Governance Committee Report**

Governance Committee Chair Christian Preus offered the report (pp. 93–105/191) of his committee, which met Oct. 2. The committee has recently been offering more minor changes to the policies it reviews as the Board Policy Task Force considers more sweeping revisions. A few routine clarifications have been offered this meeting to policies related to the Recognized Service Organization program (Policy section 5.9, pp. 95–98/191). The committee also revised the board performance survey (pp. 103–105/191) and invites further comments from the board. Members are to complete the survey by Feb. 28, for subsequent review by the Governance Committee and by the full board at its May meeting.

### **240. Overture to add Bylaw 3.3.4.10, Clarifying Board's Right to Obtain Accurate and Complete Information**

Preus also noted a proposed overture (p. 131/191) intended to add a bylaw to clarify the board's access to information of Synod agencies as it relates to the board's constitutional and bylaw oversight role—a role that extends beyond corporate Synod. Preus noted the board's occasional frustration at not receiving desired information from agencies, and the importance of the board's oversight as it serves the broader Synod in helping the whole organization to address its property, financial, and legal approaches in changing circumstances. He also noted an exception in the overture, allowing that there may be certain information that agencies cannot legally share with the board.

It was moved and adopted:

WHEREAS, The Board of Directors of the Synod has oversight responsibilities over all of the property of the Synod under Article XI E of the Constitution; and

WHEREAS, It is necessary for the Board of Directors to have accurate and complete information when carrying out its responsibilities to the Synod; and

WHEREAS, There have been circumstances in which the Board of Directors has faced challenges when attempting to obtain accurate and complete information and this has hindered the Board of Directors' efforts to carry out its responsibilities to the Synod; and

WHEREAS, The Board of Directors desires to fulfill its responsibilities to the Synod in an efficient and effective manner so that the overall coordination of the Synod affairs can be accomplished and so that the Synod in Convention also is fully informed of the Synod's affairs and when taking action in Convention. Therefore be it

*Resolved*, That the Board of Directors memorialize the 2019 convention of the Synod, upon the above rationale, to add Bylaw 3.3.4.10 as follows:

**PRESENT/PROPOSED WORDING**

3.3.4.10 To carry out its obligations under Article XI E of the Constitution and these Bylaws, the Board of Directors may obtain from any agency of the Synod all records and other information relating to property of the Synod, the financial records and legal affairs of the agency of the Synod, and other operations relating to the agency of the Synod, except records or information that the agency of the Synod is legally prohibited under applicable state or federal law from providing to the Board of Directors. All agencies of the Synod shall cooperate fully with the Board of Directors when responding to requests to provide records and information.

A board member questioned the effectiveness of administrative procedures for obtaining this information. Secretary Sias noted that technological and policy changes will be necessary to ensure that this information is delivered and assembled on a regular basis. It was noted that the quality of information received, and its transparency to the board, will likely continue to be an issue, however it may be gathered and assembled.

#### **241. Policy Task Force Report**

Board Policy Task Force Chair Larry Harrington offered the report of the task force, which met by video conference Jan. 16, Jan. 28, and Feb. 13. The committee has met regularly since the board's San Diego meeting on approximately a bi-weekly basis, focusing on improvement of the BOD Policy Manual. The Carver or Policy Governance model of policy development has been discussed, not as a rigid model or template for the board's policies, but as a helpful external evaluation of meaningful measures of the board's policies, such as how policies relate to sought-after ends or goals, and how policies provide for clear accountability to the board and ultimately the convention. Harrington noted the dual nature of the board's role—on the one hand, as the governing board of corporate Synod; on the other hand, as the oversight board of congregational Synod. This duality of role deserves significant clarification in the policies.

The task force's time has been spent largely on the first couple of sections, on the board's roles, goals, and ends. A careful process is underway to pick up all relevant directions in Synod's Constitution and Bylaws, entailing the board's obligations to the congregations as well as its corporate obligations. Policies to be developed will help inform the board as to what it should be listening for in reports and asking of those who report to the board. They should provide concrete guidance on what the congregations of the Synod expect of the board on the basis of the bylaws they have developed in convention.

The task force hopes to have a concise and useful edition of the first and most fundamental sections of the manual prepared for adoption use in the upcoming triennium.

#### **242. MyPolicies and Annual Compliance Agreements**

Lori Leighton, assistant to Chief Administrative Officer (CAO) Simek, introduced MyPolicies as a platform shared by corporate Synod and some of the synodwide entities for the maintenance and promulgation of corporate policies. Leighton noted the need for board members to complete annual disclosures of potential conflicts of interest, as required by LCMS Bylaw 1.5.2 and relevant Board of Directors policies. There is a possibility of using MyPolicies to host the BOD policy manual as well; Secretary Sias is exploring feasibility and usability. Sias, clarifying the need to report potential conflicts of interest, reiterated the requirements of Bylaw 1.5.2 (a)(2).

#### **243. Report of the Chief Mission Officer**

Chief Mission Officer (CMO) Kevin Robson was called upon to extend upon his written report (pp. 53–66/191). He noted that the offices reporting to him (the Offices of National and International Mission, Communications, Mission Advancement, and Pastoral Education) are working in as tightly integrated and effective a fashion as they have since the start of reorganization. New Executive Directors Miller and Zagore have “hit the ground running.” Office of International Mission (OIM) regional directors meet weekly with OIM staff in St. Louis and cohesion, camaraderie, and mutual support are evident.

Fiscal austerity measures and close control of operations remain high priorities. Office of International Mission (OIM) regional business managers are looking forward to the integration of their accounting system into corporate Synod's primary accounting system. This will allow senior executive leadership "a much more granular, real-time view" of regional accounting, and may result in redefinition of roles in the regions, reducing regional accounting work and freeing staff to focus on advancing the mission. A process of auditing the regional offices, beginning in the Dominican Republic, is expected to improve processes and to foster a healthy management discussion.

A number of public initiatives are being planned. The next mission priority to be proposed is "making disciples for life," with focus on planting congregations and retention of existing worshippers. A program known as *Vocatio* is intended to increase enrollment of church work students across CUS and at the seminaries, tapping marketing resources, reaching even into the culture of the church and the households of the Synod. A significant "listening" effort is also planned for next fiscal year, involving "cohort" gatherings in various areas, discussing what is going on in the Synod and in the church's work, and what is sought from the Synod in support and extension of mission. The Office of National Mission may seek funds from board-designated Innovative Communications accounts and other sources for these key initiatives.

The mission offices are busy writing reports for convention. The 2016 Res. 4-03B Task Force on Recognized Service Organizations (RSOs) is finalizing a report, which in preliminary reviews has received positive comments from representative RSOs, the Council of Presidents, Lutheran Church Extension Fund, and Concordia Plan Services. Staff are heavily involved in preparations now underway for the convention of the Lutheran Women's Missionary League in Mobile, AL, and the National Youth Gathering, to take place in Minneapolis, MN.

Robson reported an ongoing challenge and opportunity in the realm of international schools, three existing and one still in early stages of being contemplated with a developer desiring to partner with LCMS and existing international school personnel. This would be in an Asian country with no restrictions on proclamation of the Gospel; one current sticking point is obtaining explicit written agreement from the partner for the LCMS to offer worship services and religious education events outside the school day. The Chief Mission Officer and Chief Administrative Officer are "pushing this issue forward."

Concordia International School Hanoi (CISH) continues to move forward with its Phase 2 expansion, necessary to accommodate a strong long-term enrollment forecast. Concordia International School Shanghai (CISS) is considering opportunities to expand its campus master plan, either at an additional location or vertically on the existing footprint. Hong Kong International School (HKIS) continues to be a challenge in terms of local governance, Christian / Lutheran identity in the program, and lack of LCMS representation on the faculty and staff. The operating agreement between LCMS and HKIS is up for official review and renewal in April, and changes are needed to restore appropriate controls and to refocus the mission. A summit on HKIS involving the Operations Team, Legal, Board for International Mission members, the Office of International Mission, and Secretary attempted to define issues and assign action items intended to explore options under existing governance documents.

A board member distinguished "proof of mission" from "presumption of mission"—how do we ensure that the mission of the Synod is being carried out? Robson noted that visitation of the international schools is intended to move beyond the present vague definition of the schools' mission in relation to Synod, to explore how the schools actually advance the seven mission priorities established by the Synod in convention. It remains a worthy objective, Robson noted, to answer this question in a comprehensive, system-wide affirming manner. While noting with deep appreciation the dividend from CISS, Robson expressed disappointment that the schools have not agreed to fund an international schools director proposed by CMO, a position intended to cultivate the linkage between the schools and the Synod, to work toward coherence of mission and development of rostered staff for the schools, a critical and often-expressed need.

A question on church worker recruitment prompted Robson to note a September meeting among Seminary, College and University, CUS, and Synod leadership that raised the need to promote church vocations—ordained, commissioned, and lay—in our Synod’s families. Parents have a formative influence. The “nucleating” marketing campaign, a long-term, high-visibility effort, will focus on changing language, culture, and philosophy among us about holding up these vocations as gems to which to be aspired, part of passing the faith to the next generation and beyond: What a privilege to get paid to proclaim the Gospel and administer the Sacraments!

#### **244. Personnel Committee Report**

Personnel Committee Chair Kathy Schulz noted that her committee met January 15 by teleconference (pp. 106–107/191) and has only the action items below to present.

#### **245. Convention Matters**

Secretary Sias updated the board on progress toward the 67<sup>th</sup> regular convention of the Synod, to take place July 20–25, 2019, in Tampa, Florida. The Committee for Convention Nominations, in which eighteen districts were represented this triennium by professional church workers and laity, has finished its work and the slate of candidates for Secretary, Board, and Commission positions has been dispatched for publication. The Secretary noted that the committee appears to have done excellent work, carefully weighing qualified candidates and producing slates representative of the breadth of perspectives to be found in the Synod. It was also noted that the 2016 convention’s transfer of responsibility for regional board positions to the committee (instead of the former strictly numerical ballot process) has proven a significant improvement.

Nomination ballots for President / First Vice-President, and regional vice-presidents are due to be received by Brown Smith Wallace, handling the former, and the Office of the Secretary, handling the latter, by February 20. The process of notifying prospective candidates and obtaining their consent to serve will then swiftly be carried out. President voter registrations are due to be received in the Office of the Secretary by March 24. The 2016 convention also changed this process, abandoning the former practice of making previous district convention attendees the voters, in favor of a direct registration process. Increased participation (previous district convention attendance is no longer required) is a possibility, though this is a new process and it depends on congregations registering their voters by the March 24 deadline. An extensive communications program, involving postcards, e-mails, official notices and articles, has attempted to provide congregations every opportunity to participate. Congregations that have not yet registered are now receiving specific communications, and those that have registered are receiving confirmations of information submitted. The Secretary will provide for the board a review of the process and analysis of participation after the conclusion of the election.

Twelve overture-handling floor committees have been named (a thirteenth committee being Registration, Credentials, and Elections, which does not handle overtures) with 230 unique overtures received so far (now under review) and more known to be on the way before the March 2 deadline for on-time submission (late overtures are possible but require approval under Bylaw 3.1.6 (a)). New document processes hoped to smooth production of the *Workbook*, *Today’s Business*, and other documents.

Sias noted that congregational and individual participation in all the convention processes is critical and on a very long-term decline, and that this is a concern for the board and for the Synod to address. To a comment that the process is complex, requiring so many postcards to encourage participation, he noted that electronic options may someday simplify for congregations and provide a “task list” of official actions yet to be taken.

## **246. Convention and Floor Committee Plans**

Chief Administrative Officer Simek discussed with the board several practical matters related to the board's participation in floor committee weekend and the 2019 convention itself. Certain board members have been asked to participate in specific committees; others are asked to submit their preferences for floor committees of interest in a survey to be sent. Simek noted that the meeting of May 17 will include final floor committee weekend preparations, and that the September 12–13 board meeting will include the President's orientation and installation.

## **247. Audit Committee Report**

Audit Committee Chair Keith Frndak reported for his committee, which met the night before. Ron Steinkamp of Brown Smith Wallace updated the committee on his review of Internal Audit, now about 50% complete, with a final report due in a month. A report was received from Chairman Mundinger, President Wenthe, and Rev. Philp of Concordia University System (CUS). They reported a new routine of monthly calls with CUS Presidents, which they believe is a positive development. A potential sudden negative swing in financials at Bronxville was shared with the committee only days before the meeting and is being monitored. Wenthe provided an update on the Concordia University, Portland, presidential search. The Audit Committee asked CUS to elevate monitoring activities with regard to the schools to reduce the likelihood of financial or enrollment surprise, perhaps developing a "watchlist" protocol.

Joann Spotanski, Executive Director of Internal Audit, indicated her unit's conclusion of the CUS audit, support of Concordia Plan Services auditors, and performance of an expense analysis for LCEF. Internal Audit will be traveling to the Dominican Republic to review the regional International Mission office. Thirteen of thirty-five districts have requested Internal Audit to perform their audits. The Audit Committee also reviewed and approved 2019–20 Internal Audit Objectives.

A board member noted that the CUS report provided to the board was "woefully inadequate" and that more legal and financial material should be shared with the whole board; presently, there are "too many surprises and too much uncertainty." Institutions' reliance on gifts and endowments in tough financial years have significant impact, and these operations are too significant not to have more regular reports and significant oversight. President Harrison noted that board and the Chief Administrative and Financial Officers will need to specifically demand desired reporting from CUS. Audit Committee Chairman Frndak noted that the committee has been regular and consistent in requests, and that it used to receive detailed financials, enrollment, scholarship, cost per credit reports on a regular basis. The Audit Committee is now attempting to get more and more regular information, noting that enrollment, financial, and cost per credit reports on the institutions are in some cases several years old.

It was noted that Internal Audit does no audits for colleges and universities, while it audits 13 of 35 districts. Frndak noted that the bulk of the activities under BOD oversight are audited by outside auditors, without an established routine of Internal Audit review. It was noted that audits are not the time to find operating problems; current financials are much more necessary. Discussion suggested that further reporting on cash position, other troubles or problems, the proportion of LCMS faculty, and the numbers of church workers in training would be helpful to the board and to CUS.

It was moved and adopted:

*Resolved*, That the board request that Concordia University System (CUS) provide regular and detailed financial and enrollment information from each school on at least a quarterly basis, with a quarterly report by CUS to the Audit Committee.

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**248. Legal and International Legal Report**

It was moved and carried to enter executive session for General Counsel Sherri Strand's legal report. The board welcomed Strand's partner Matt Buesching, also of Thompson Coburn. Board member Gloria Edwards recused herself from discussion of issues related to Concordia University System schools.

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**248X. Executive Session IIA: Legal and International Legal Report**

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**249. Hong Kong Property Transaction**

With member Edwards returning, the board continued in executive session to address a Hong Kong property transaction.

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**249X. Executive Session IIB: Hong Kong Property Transaction**

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**250. LCMS National Housing Support Corporation (NHSC)**

The board continued in executive session to discuss the recommendations resulting from the meeting, directed by the board in November, between LCMS and NHSC leadership.

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**250X. Executive Session IIC: LCMS National Housing Support Corporation**

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**251. FY2020 Salary and Benefit Guidance**

The board continued in executive session, welcoming Val Rhoden-Kimbrough and Ross Stroh to discuss salary and benefit guidance for the upcoming fiscal year.

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**251X. Executive Session IID: FY2020 Salary and Benefit Guidance**

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**252. 2019–2020 Fiscal Year Financial and Budget Outlook**

Chief Financial Officer (CFO) Jerald Wulf presented to the board his estimation of the July 1, 2019–June 30, 2020 Fiscal Year (FY20) undesignated support budget, comparing FY19 (current) and FY20 figures for pledges received or anticipated. (The district pledge year ends Jan. 31, meaning that each fiscal year is supported in part by one pledge year and in part by the next.) Districts pledged \$14.4M in FY17 and \$13.9M in FY18, with \$11.9M received through the end of Dec on their pledges (an additional \$1M was given by districts, through December, to designated projects). Allowing for an annual anticipated shortfall of 0.5%, total district support for FY19 was budgeted at \$13.768M. District support in FY20, making the same allowance, is expected to be reduced by \$685k to \$13.083M.

Considering district pledges, LCMS Accounting and Financial Services Executive Director Ross Stroh noted an increase by 5 districts, totaling \$57k. Decreases in 18 districts totaled \$727k, ranging up to \$169k in one district. Giving per member in the districts ranged from \$2.13 to \$18.83. As a percentage of unrestricted district income, the pledge to Synod ranged from 2.2% to 38%.



Wulf noted for the FY20 budget that “spending restraint by all units will remain a priority.” There will be no “nice-to-dos” included in the budget, projects that might commence, should funding be received, as a budget inflated with many such unlikely projects complicates planning. The CFO does have the ability to amend the budget, should such a project become actionable on the basis of revenue at some point during the year.

Stroh presented an accounting of other anticipated special support, special gift activities, and gifts anticipated from foundations in FY20, including \$1.320M of undesignated support anticipated to be raised by Mission Advancement (after cost of fundraising). Taking these into account, the undesignated support budget for FY20 has been estimated at \$18.023M, down 4% from \$18.740M in FY19.

A board member questioned how any planned salary increase would align with a 4% reduction in unrestricted revenue. CAO Simek noted that changes implemented in Information Technology will net \$700k in FY20. Stroh noted other savings in General Services and in Accounting, and that projections are intentionally conservative. Stroh noted that, on the expenditure side, budget worksheets are going to units today, with meetings with the Operations Team coming soon. CMO Robson noted that on the National Mission side there is a potential for using contract labor for certain peripheral activities.

CFO Wulf noted that estimates may change before the May meeting as information continues to be gathered. He also highlighted the report of Mission Advancement (pp. 62–64/191), which notes an increase in number of donors with average size of gift reduced. Estimation of anticipated restricted revenue is ongoing.

### **253. Action Items**

Chairman Everts introduced the several action items from the prepared board docket:

#### **(A) Policy Revision, Section 5.9, Granting of Recognized Service Organization Status**

CAO Simek noted minor changes proposed by the Governance Committee to RSO-related policies. Edwards noted for the committee that if the package of bylaw changes being proposed by the 2016 Res. 4-03B RSO Task Force is adopted by the convention, a much more extensive revision of related policies will need to be contemplated. This activity has been scheduled for the August Governance Committee meeting.

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*, The Board of Directors adopts the changes to The Lutheran Church—Missouri Synod Board of Directors’ Policy Manual, Section 5.9 Granting of Recognized Service Organization Status by Agencies of the Synod, as indicated in the docket (pp. 127–130/191); and be it further

*Resolved*, The Board also directs the table of contents, index and other references to be updated, as necessary.

(B) Overture “To Amend Bylaws to Change the Board of Directors’ Means of Representation on Synodwide Corporate Entity Boards of Directors”

Secretary Sias introduced an overture initially discussed by the board at its November meeting, intended to allow the board more flexibility of representation on Synodwide corporate and trust entity / trust manager boards, largely to allow the Chief Financial Officer time and energy for other important aspects of his responsibilities. It was moved and adopted:

*Resolved*, That the Board of Directors of The Lutheran Church—Missouri Synod submit the following overture, being signed by its Chairman *pro tempore* and Secretary, for consideration by the 2019 convention of the Synod:

**To Amend Bylaws to Change the Board of Directors’ Means of Representation on Synodwide Corporate Entity Boards of Directors**

WHEREAS, The Chief Financial Officer currently is required by Bylaw 3.4.1.3 (e), among others, to serve “as a nonvoting member of the governing boards of the Concordia University System, The Lutheran Church—Missouri Synod Foundation, The Lutheran Church Extension Fund—Missouri Synod, the Concordia Plans, Concordia Plan Services, and Concordia Publishing House, and on the investment committee of the Concordia Plans and Concordia Plan Services” (Bylaw 3.4.1.3[e]); and

WHEREAS, Attendance and meaningful participation in so many corporate boards, along with several others not listed, could be expected to consume the majority of the Chief Financial Officer’s time and energy, leaving, humanly speaking, only a diminished capacity for other aspects of the office; and

WHEREAS, The Chief Financial Officer is charged not only with the task of serving on entity boards, but with important roles of analyzing, planning, guiding, monitoring, and reporting on the financial and stewardship aspects of corporate Synod and Synod-at-large—these roles demanding an increased proportion of time and effort in periods of demographic and economic change; and

WHEREAS, Already in 2010 the convention called for an evaluation of “all assets, taking action to assure that they are being used effectively to carry out the Synod’s mission and ministry” (2010 Res. 4-02, *Proceedings*, p. 119) and for the Chief Financial Officer to annually use “widely available means...to state the financial position of the Synod in a format easily understood by persons unfamiliar with financial terminology” (2010 Res. 4-03, *Proceedings*, p. 120), and these tasks continue to demand heightened time and attention; and

WHEREAS, The synodwide corporate entities today operate with a much greater degree of operational independence, reducing the necessity of direct, personal, and continuous participation of the Chief Financial Officer of the Synod; and

WHEREAS, The oversight (Bylaws 1.2.1 [o] and 3.3.4.4–6; Const. Art. XI E 2) and coordination (Bylaw 3.3.4.3) roles of the Board of Directors of the Synod, on behalf of the convention (Bylaw 3.3.4), could, in the board’s estimation, be better exercised if the Chief Financial Officer’s board attendance responsibility could be shared with others, while maintaining regular documentary reporting by the entities and the board’s authority to make inquiries and expect response; and

WHEREAS, A suitable model for such an approach may be identified in the President’s authority to “personally or by way of a representative have the option to attend all meetings of all commissions (except the Commission on Constitutional Matters), the boards of all synodwide corporate entities, and the Board of Trustees—Concordia Plans (Board of Directors—Concordia Plan Services), including executive sessions (the President or his representative already serves as a voting member of the mission boards and serves as a voting member of the Board of Directors of the Synod and the Board of Directors of Concordia Publishing House” (Bylaw 3.3.1.3 [d]); and

WHEREAS, Such an approach could free the Chief Financial Officer from a significant primary responsibility, allowing more time for the analytic, strategic, and reporting work that has become increasingly important for the long-term financial well-being of corporate and broader Synod; therefore be it

*Resolved*, That Bylaw 3.3.4.6 be amended by the addition of subparagraph (d) as follows:

**PRESENT/PROPOSED WORDING**

3.3.4.6 The Board of Directors shall exercise general oversight over the operations and activities of the synodwide corporate entities, the Concordia Plans, and Concordia Plan Services as required of it in the Constitution of the Synod and specified in these Bylaws.

...

(d) The board shall have the right to designate a representative (by default, the Chief Financial Officer) to attend, as a non-voting member, all meetings of the boards of the Concordia University System, The Lutheran Church—Missouri Synod Foundation, The Lutheran Church Extension Fund, Concordia Publishing House, and the Board of Trustees—Concordia Plans (Board of Directors—Concordia Plan Services), including executive sessions. The board’s representative shall serve on the investment committee of the Concordia Plans and Concordia Plan Services. The board and its representative shall, in reasonable time, receive notice of such meetings, the proposed agenda, and minutes thereof.

and be it further

*Resolved*, That Bylaws 3.4.1.3, 3.6.6.3, 3.6.5.2.1, 3.6.4.3, 3.7.1.3, and 3.6.3.1 be amended as follows:

**PRESENT/PROPOSED WORDING**

3.4.1.3 The Chief Financial Officer also serves as the Treasurer of the corporation and shall

...

(e) serve, if the board’s representation is not otherwise designated, as a nonvoting member of the governing boards of the Concordia University System, The Lutheran Church—Missouri Synod Foundation, The Lutheran Church Extension Fund—Missouri Synod, the Concordia Plans, Concordia Plan Services, and Concordia Publishing House, and on the investment committee of the Concordia Plans and Concordia Plan Services;

...

3.6.6.3 The Board of Directors of Concordia University System shall be composed of nine voting members and four nonvoting members....:

...

*Nonvoting Advisory Members:*

...

2. The Chief Financial Officer of the Synod representative designated by the Board of Directors of the Synod

...

3.6.5.2.1 The Board of Trustees of the Lutheran Church—Missouri Synod Foundation shall consist of:

...

5. The Chief Financial Officer of the Synod representative designated by the Board of Directors of the Synod as a nonvoting member

...

3.6.4.3 The board of directors for the Lutheran Church Extension Fund—Missouri Synod shall consist of ...

...

3. The ~~Chief Financial Officer of the Synod~~ representative designated by the Board of Directors of the Synod shall also be a nonvoting member of the board.

3.7.1.3 The Board of Trustees of Concordia Plans and the Board of Directors of Concordia Plan Services shall consist of 15 voting members appointed by the Board of Directors of the Synod. The ~~Chief Financial Officer of the Synod~~ representative designated by the Board of Directors of the Synod shall be a nonvoting member. ...

3.6.3.1 Concordia Publishing House...shall be operated by a board of directors consisting of:

...

5. The ~~Synod's Chief Financial Officer~~ representative designated by the Board of Directors of the Synod, who will be a nonvoting member

and be it finally

*Resolved*, That where the Chief Financial Officer presently serves on other boards and commissions of agencies of the Synod, the Chief Financial Officer have the option of sending a designee.

(C) 2019 Interim Appointments for Chief Administrative Officer, Chief Financial Officer, and Secretary of the Synod

In accordance with the Bylaws, Board Policy and Human Resources Policy, Appointment of Interim Persons, each board, commission and department is to identify a person to provide interim direction and leadership to the board, commission, or department in the event there is an unexpected resignation, disability, disposition, or death of the staff executive currently serving. The board has the responsibility to appoint those to fill vacancies in the offices of Chief Administrative Officer, Chief Financial Officer, and Secretary of the Synod, according to the following policy:

It is important that all boards, commissions, or departments identify a person to provide interim direction and leadership to the board, commission, or department in the event there is an unexpected resignation, disability, disposition, or death of the staff executive currently serving. The board, commission, or department must be able to carry out the work in process and be capable of continuing its normal routine, as much as possible, during unsettling times. Such proactive measures will assure all involved, a sense of preparedness rather than chaos. The districts, congregations, and members will be well-served because there is a procedure in place.

The board, commission, or department should not take the appointment of an interim person lightly. The selection needs to be made on the basis of the needs of the board, commission, or department and the necessary skills required to reasonably assure that the primary functions will continue during a short-term vacancy. The interim appointment should be considered as a short-term contingency arrangement until the executive is able to return, or, if necessary, until a call or appointment of a new executive is accomplished. Therefore, the following Guideline is to be adhered to:

- Each International Center board, commission, or department, in coordination with their staff executive, shall identify an individual to assume primary responsibility for overseeing, on an interim basis, departmental operations in the case of resignation, disability, disposition or death of the executive currently serving.
- If the position responsibilities require clergy or roster status, the individual identified to serve during the interim shall also be expected to meet such a requirement.

- The International Center board, commission, or department reviews annually their contingency plan, to verify that the best interest of the board, commission, or department will be served should implementation be required. The contingency plan is to be shared in writing annually with the President, the Executive Director of the Synod's Board of Directors, and the Director of Human Resources.
- Other corporate entities operating under common policies at the International Center shall disclose compliance to a contingency plan.

The Director of Human Resources shall retain a confidential file on all contingency plans should there be a need for implementation.

It was moved and adopted:

*Resolved*, That the Board of Directors name the following individuals to serve during a board authorized interim vacancy until action by the Board can be taken to reappoint someone to fill the vacancy:

Chief Administrative Officer:	Val Rhoden-Kimbrough, Executive Director Human Resources
Chief Financial Officer:	Mr. Frank Simek, Chief Administrative Officer
Secretary of the Synod:	Rev. Dr. Herb Mueller, First Vice-President

*Resolved*, That these names be forwarded to the Department of Human Resources, who shall maintain it as required should the need for appointment of an interim be necessary.

(D) Approval of Additional Loan Disbursement, Concordia International School Hanoi Phase 2 Addition

Chief Mission Officer Robson introduced an action item (pp. 187–191/191) from Concordia International School Hanoi, which is seeking to obtain permission to access a previously authorized remaining US\$500,000 in loan funds, a contingency amount included in the original approval but requiring release by the Board of Directors. Robson noted good progress and a strong cash position in pro forma statements. The contract for the Phase 2 facility construction has been finalized at a total US\$6,917,500, based on construction plans now completed and received quotes. This represents an increase of US\$417,500 over the original estimated US\$6,500,000 construction loan value. After a careful review of the five-year business plan and discussions with the lender, Lutheran Church Extension Fund, Concordia International School Hanoi has concluded that it can effectively service the total authorized loan debt and complete the Phase 2 additional for expansion of the school's mission and ministry to the community.

It was moved and adopted:

WHEREAS, The LCMS Board of Directors ("Board"), at its 16–17 November 2017 meeting, had previously authorized LCMS Holdings Vietnam ("Holdings VN") to enter into a loan agreement for an amount not to exceed US\$9,150,000 for the proposed Phase 2 addition of educational space to the Concordia International School Hanoi ("CISH") campus facilities; and

WHEREAS, The Board, in the same resolution, authorized CISH draw only up to US\$8,650,000 of the loan amount; and

WHEREAS, The Board also resolved that should CISH need to draw on the loan above the US\$8,650,000 amount, CISH would provide the Board with an updated business plan and rationale for the need for additional funds, and seek approval from the Board for the additional US\$500,000 prior to any additional funds being disbursed; and

WHEREAS, CISH has now determined that it needs to draw on the loan above the US\$8,650,000 amount in order to complete the aforementioned Phase 2 addition and is therefore seeking approval from the Board to draw the additional US\$500,000 in authorized loan funds; and

WHEREAS, CISH has prepared an updated business plan and rationale (proforma balance sheet, income statement and cash flow summaries fiscal/academic years 2015/16 through 2022/23 attached, with detail provided in separate Excel spreadsheet) demonstrating the need for this additional disbursement of authorized loan funds; and

WHEREAS, If the Board grants approval to draw an additional US\$500,000 in authorized loan funds, the total disbursed loan amount to fund the CISH Phase 2 addition would be \$9,150,000, the total loan amount originally authorized by the Board at its November 2017 meeting; and be it further

*Resolved*, That the Board approve the disbursement of an additional US\$500,000 in loan funds to CISH, up to a total disbursed loan amount not to exceed the originally authorized loan amount of US\$9,150,000 to fund the CISH Phase 2 addition.

(E) Salary Administration: Salary Range and Below-Minimum Adjustments, effective March 1, 2019

The Department of Human Resources conducts an annual review of local and national salary trends and compares them with the current LCMS salary ranges and actual salaries. The objective of this analysis is to measure the ability of International Center employers to remain competitive with the local not-for-profit market.

This high-level objective directly correlates with the LCMS compensation philosophy which was originally adopted by the Board in 2006 and re-affirmed by the Personnel Committee in 2014:

In striving to be good stewards of the dollars entrusted to us, we shall pay fair salaries in a fashion which rewards performance to be able to attract, motivate, and retain employees.

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

The top paid 150 parish pastors and the top paid 150 institutional executives will be used as a guideline for the placement of the class 6 Executive Directors of the program boards and commissions with some being higher and some being lower.

It was moved and approved:

WHEREAS, The salary range adjustment methodology has been validated via the annual compensation analysis; 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, 2019, the salary ranges be adjusted by approximately 1.2% to reflect compliance with the 2006 BOD philosophy of using the average of the top paid 150 parish pastors and the top paid 150 institutional executives as the basis for the Class 6 mid-point. The remainder of the salary scale will be adjusted accordingly; and be it further

*Resolved*, That as of July 1, 2019, employees whose base salary falls below the minimum for their pay grade shall have their salary adjusted to reflect the new minimum for their grade to remain compliant with the system.

**254. Meeting Review**

The board entered executive session, with all non-members excused, to review the meeting according to its policies.

**254X. Executive Session III: Meeting Review**

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**255. Adjournment**

With the board returned from executive session and the agenda concluded, Chairman Everts adjourned the meeting.

John W. Sias, *Secretary*