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Chair of the Assembly and the Academic Council
Faculty Representative to the Board of Regents
University of California
1111 Franklin Street, 12th Floor
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July 15, 2008

KATHERINE N. LAPP
EXECUTIVE VICE PRESIDENT

Re: Outsourcing of Benefits Administration

Dear Katie:

At its June meeting, Academic Council requested that I convey Council's concerns related to the current consideration of outsourcing the University's benefits administration, including the Request for Proposals (RFP). At the start, let me emphasize Council's appreciation for consulting with us. We also appreciate having a role in vetting the RFP and evaluating the responses to it over the next few months, as well as your willingness to schedule the RFP process to permit the Senate's Committee on Faculty Welfare (UCFW) to present a recommendation to Council in time to convey recommendations to the Administration before a final decision is made.

Notwithstanding, Council is concerned that outsourcing may adversely affect benefits administration, an area in which the Office of the President is perceived as offering superb service. This concern has led Council to adopt the following principles, which it respectfully requests the Administration use as guidelines in deciding whether to outsource benefits administration:

- **Justification:** Based on information we have received to date, outsourcing benefits seems unjustified on the basis of either efficiency or effectiveness; outsourcing of UC benefits administration should be explicitly justified on the basis of costs, efficiency, and/or effectiveness.
- **Quality of services provided:** Current quality provided to employees is very high and there should be no diminution of that quality.
- **Security of confidential information:** Providing employee information to a third party could increase the risk of security breaches and unauthorized disclosure of confidential information; there should not be any increased risks to security or confidentiality of personal information associated with the possible outsourcing of benefits administration.
- **Costs:** Benefit services are funded out of the plan itself; there should be no cost increases associated with outsourcing such services.
- **Benefits design:** Outsourcing should in no way affect UC's role in the design of benefits plans.

I am happy to discuss these principles with you, at your convenience.

Thank you for considering this advice.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael". The signature is fluid and cursive, with the first letter "M" being particularly large and stylized.

Michael T. Brown, Chair
Academic Council

Copy: President Mark G. Yudof
Provost Wyatt R. Hume
Academic Council
Martha Winnacker, Senate Director