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January 23, 2004

Mr. Thomas K. Doyle
Bennett, Hartman, Morris & Kaplan, LLP
111 S.W. Fifth Avenue, Suite 1650
Portland, OR 97204

Re: Oregon University System Optional Retirement Plan

Dear Mr. Doyle:

This is to acknowledge receipt of your January 16, 2004, letter outlining your understanding of factors that led to a reduction in contribution rates for the Optional Retirement Plan (ORP).

The OUS is deeply concerned about the effect of the unprecedented buy-down of the state's PERS rate, and has been working to mitigate its effects on ORP participants since October 2003. Finding a solution or set of solutions to the problem is one of OUS' highest priorities. Regrettably, the complexity of the problem and necessary involvement of multiple regulatory entities has required far longer than we had hoped or anticipated.

Please be assured that the Chancellor's office is fully engaged in resolving the question of which PERS rate is applicable to ORP participants. The OUS will adopt that rate or rates when we are assured that our revisions are correct. We will be happy to keep you posted on the progress. Feel free to call should you have any questions.

Sincerely yours,

Benjamin E. Rawlins
General Counsel

BER/gs

cc: Richard S. Jarvis, Chancellor