



KPMG LLP  
811 Main Street  
Houston, TX 77002

March 10, 2017

The Board of Directors  
Metropolitan Transit Authority  
Harris County, Texas

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of Metropolitan Transit Authority of Harris County (the Authority), in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

During our audit we noted a matter involving internal control that is presented for your consideration. This comment and recommendation, which has been disclosed with the appropriate members of management, is intended to improve internal control or result in other operational efficiencies and is summarized as follows:

*Actuarial Assumptions*

In connection with the audit, we reviewed actuarial reports for the Metropolitan Transit Authority Non-Union Pension Plan, Metropolitan Transit Authority Union Pension Plan, as well as actuarial reports for Postretirement Benefits for both the Union and Non Union plans. Based on our review of the actuarial assumptions related to the Metropolitan Transit Authority Non-Union Pension Plan, KPMG noted that the 85% Lump Sum acceptance rate assumption was not representative of the actual number of employees opting for the lump sum package. Per data obtained from the Authority's actuary, approximately 49% of employees have selected to receive their accumulated plan benefits in a lump sum over the past three years. Utilizing the 49% lump sum rate, the actuary performed a recalculation which resulted in an approximately \$5 million increase to the net pension liability.

We recommend that the Authority's management continue to monitor all pension and postretirement benefits actuarial assumptions and timely update them as necessary.

*Management Response*

Actuarial assumptions will continue to be reviewed and updated each year based on discussions with METRO's independent actuary.

\* \* \* \* \*

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Authority's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.



The Board of Directors  
Metropolitan Transit Authority  
March 10, 2017  
Page 2 of 2

This communication is intended solely for the information and use of management, the Board of Directors, others within the organization, and the Authority, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*KPMG LLP*