the Johns Manville Retiree

Johns Manville Retirees Association

February 2001

Jerry Henry Smiles

John Leasher

Warren Buffett and Berkshire Hathaway Inc., the business bellwethers of Omaha, Nebraska, have brought an extra smile and an additional spring to the step of Jerry Henry, CEO of Johns Manville. At a retirees luncheon on January 25, Mr. Henry—in broad strokes—recounted the downs and ups of corporate life since his last appearance before the group in October.

At that time, the chances for a proposed leveraged buyout of JM by Hicks, Muse, Tate and Furst, and the New York investment bank of Bear Stearns, were dropping fast, leaving the Manville Personal Injury Settlement Trust without a source for much needed cash.

In what Mr. Henry described as "the most fascinating few months of my life," the Hicks, Muse agreement was terminated without penalty, Mr. Buffett began buying JM stock on the open market, and within a few days of December Berkshire Hathaway proposed a tender offer of $13 cash for all JM stock, including the 76 percent owned by the Manville Trust.

Mr. Henry expects the deal to be completed in February with the approval of the European Union. Johns Manville would become a wholly owned subsidiary of Berkshire Hathaway. He anticipates no changes in the pension, health and insurance plans of retirees, nor in the current JM management team.

His particular pleasure in the new arrangement comes from his exposure to Mr. Buffett, a brilliant businessman who manages the extensive holdings of Berkshire Hathaway with candid directness, hard-won knowledge and minimal bureaucracy.

In their first meeting, Mr. Henry learned that Mr. Buffett takes the long view of business ventures. He said that Mr. Buffett told him to "look at each business you run as if it's the single asset of your family and you plan to run it for 50 years."

Since JM would now be a private company, Mr. Henry will shed the chairman title but will continue as CEO. The company no longer will issue quarterly or annual reports, hold annual meetings or need to participate in the various financial dances required of publicly traded firms.

Speaking briefly of conditions in the building materials industry, and of competitors connected with the asbestos business, Mr. Henry noted that the Chapter 11 headaches that JM endured from 1982 to 1988 now have struck Owens-Corning, Armstrong and GAF. He suggested that a few

Retirement Plan Review

John Leasher

Each year, Johns Manville sends each retiree a Summary Annual Report showing summarized information about the Retirement Plan, the Thrift Plan, and the Retiree Medical Plan. This Summary mentions the full annual reports that are available for review by any retiree. For the past several years, your Retiree Association has obtained these voluminous full annual reports and has analyzed them.

The company computes, actuarially, the present value of the expected future payouts from the Retirement Plan. This number is the Plan's *liability*. It is a complex calculation of the money *needed* to be invested as of a given date to earn the money expected to be paid out to retirees in the future.

The Retirement Plan's *assets*, on the other hand, are the actual amounts invested, stated at fair market value. In past years, we have taken solace that the plan's assets exceeded the calculated liabilities - that is, that the plan has been *overfunded*. We have therefore been assured that our pensions are secure for the foreseeable future. We continue to be so assured.

Indeed, the fact that the assets were increasingly greater than the liabilities even gave us hope that a Cost of Living Increase

(COLA) could be granted to persons who had been retired for many years and had suffered greatly from the ravaging effects of inflation.

We told you last year that as of 1/1/98 (the latest date for which data was then available) the company had reported the plan's assets as being $504.6 million, against the plan's liability of $469.5 million. This meant that the plan was overfunded by about $35 million, or 21 percent.

This year's report (showing the numbers as of 1/1/99) states that assets were $519.2 million, against the plan's liability of $433.4 million. The plan was therefore overfunded by about $86 million, or 20%.

The 1999 benefits paid to retirees (the sum of all pension checks) was $39.1 million, about the same as in prior years. The plan's administrative expenses totaled $2.5 million, an increase of about $.5 million over 1998. The increase was primarily in the fees paid to investment advisers.

However, the amount of income earned from investments increased rather dramatically in 1999 to $103.2 million, as compared to the investment earnings of $55.7 million in 1998 (and $54.2 million in 1997. This increase in investment returns was due to a change in investment strategy initiated by Jerry Henry.

Accordingly, the plan's total assets grew to $580.8 million at the end of 1999, a net increase of $61.5 million from the starting point of $519.2 million. Mr. Henry advised the Denver Columbine Luncheon meeting group that this represented an overfunding of about 28%. He commented further that by end of year 2000, the overfunding had dropped to about 19% due to that year's poor stock market conditions.

The company again made no cash contributions to the plan during 1999, having met the complex minimum funding requirements. The company stopped putting cash into the plan in 1996, whereas for many years prior to that time, it had been contributing about $7 million per year.

Favorable stock market conditions during these past several years have increased the plan's assets over what had been expected. But these increased assets have been utilized by the company solely to fund its own liability to the plan for pensions earned by active employees. None of the improved investment returns have been shared with retirees who desperately need a Cost of Living Adjustment.

Your Retirees Association will continue to press for such adjustments, particularly for persons who have been retired the longest.

President's Corner
John Leasher

In our last Newsletter, I gave you an overview of legislation that had been introduced in the last session of Congress, The Emergency Retiree Health Benefits Protection Act of 2000. That bill's primary purpose was to prohibit employers from canceling or reducing a retiree's health benefits after a person had retired. You may have read an article about the bill in the February issue of the *AARP Bulletin*.

A special Legislative Committee set up under the auspices of the Washington, D.C.-based Coalition For Retirement Security, is hard at work on getting the bill reintroduced in this year's Congress. Representative John Tierney, D-Mass, will again introduce the bill, and so far, over twenty representatives have agreed to co-sponsor it. The Committee is working to insure bi-partisan support for this important bill and to get a companion bill introduced in the Senate.

Visit our web site at www.jmretirees.com for late-breaking news about this legislation and be ready to lend your support.

Dues, Dues, Dues

Thanks to everyone who sent in their dues. Our last newsletter reinstated $20 dues for 2001 to replenish our treasury. So far nearly 1000 members responded.

It is most important that we have up-to-date mailing, phone numbers and E-mail addresses—mail-ing address to keep the newsletters coming to you, phone number and E-mail address to contact you quickly if we need your help supporting retiree benefits legislative action.

Almost 60% of the renewal slips received so far have address or phone number changes. An amazing 25% of the renewals now have an E-mail address, which greatly enhances our ability to communicate quickly. For those without e-mail we will contact you by phone or regular mail.

For those of you who have Internet access at home, at the library or at a friends, please go to our web site at: *www.jmretirees.org* and check out the information available there.

You may not have noticed the dues request in our last newsletter so we are including another request in this issue. Please check the line above your name on the mailing label of this issue. If it says: "Please send your 2001 dues," we have not received your payment as of the time these labels were printed.

Audit Report from Roger DeVries, C.P.A.

Ladies and Gentlemen:

I have examined the receipts and disbursements records and other financial records of the Johns Manville Retirees Association for the year 2000 and found the financial operations and record keeping of the Association to be in order.

The enclosed Financial Summary was compiled from the Association records without audit.

As this Summary was not subject to audit, and as it is not accompanied by other financial statements generally considered necessary for full financial presentation, I am unable to express an opinion on this Financial Summary.

Yours very truly, Roger DeVries, CPA

Johns Manville Retirees Association Fund Activity Summary

	2000	1999	1998
Beginning Balance, Funds on Deposit	$49,139	$53,649	$57,665
Income: Credit Union Dividends	2,550	2,547	3,144
Expenditures:			
Legal & Accounting Fees	1,308	200	200
Travel & Dues	2,128	0	0
Liability Insurance	2,500	2,500	2,500
Newsletters, Postage & Other	4,348	4,357	4,460
Total Expenditures	10,284	7,057	7,160
Net Change in Funds During Year	-7,734	-4,510	-4,016
Ending Balance, Funds on Deposit	$41,405	$49,139	$53,649

In Memory

George Martens (Denver/ Rock-port, ME); Faustin J. "Jack" Solon, Jr. Denver); Jack Rosselot (Denver); Walter M. DeWitt, Jr. (Denver); Demitry Poutiatine (Montreal); Bill Falion (Denver/Santa Fe, NM); Wilfrid T. Girard (Nashua); Maurice A. Prunier (Nashua); Norman Brown (Denver/Bloomington, IN); Jim Cusick (Green Cove Springs-Pipe Div.); Harold C. Seaman (Nashua); Edward Ezman (Denver); John "Jack" Reeves (Ventura, CA)
Edward R. Willsey (Tulsa, OK)
David Jordan (Denver)

Waukegan: Ardeth Birch, Charles Brock, Florence Byars, Merle Zantow, David Snow, Horace Montgomery, Murl Snow

Tobacco Trial Update

Judge Jack Weinstein declared a mistrial on the two month trial which pitted the trust representing asbestos workers and their heirs against cigarette companies accused of conspiring to mislead workers about a "lethal synergy" of cigarette smoke and asbestos. A unanimous verdict was required but it was reported that the jury was deadlocked for a week when the judge declared a mistrial. Trust attorney, Ed Westbrook, said he will seek a retrial.

Dues, Dues, Dues

See the article above. Check your mailing label on the other side of this page. If the line above your name says: "Please send your 2001 dues," please return this section of the newsletter with your response:

[ ] - I paid my dues with my check # __________________.

[ ] - Enclosed is my check for $20.00 to support the Johns Manville Retirees Association. Complete the information below and mail to the return address on the reverse side.

Make any corrections to name and mailing address, including the ZIP + 4 code, beside the label on the reverse side. If you have both a summer and winter address, please write that information next to the label. If you are the surviving spouse of the retiree on the mailing label and are receiving any benefits from JM, you are eligible to be a member of the Association, so please change the name on the label to your name and become a member of the Association. Please print clearly.

Phone Number _______________________________ E-mail Address ______________________________________