

Same-Sex Domestic Partner Benefits at Merck

Eligibility; Benefits; Financial Considerations; and Enrollment Steps

This brochure is intended to provide an overview of the main features of same-sex domestic partner benefits available effective January 1, 2007, through the various Merck benefits programs and the plans included therein, as they apply to:

- Salaried U.S.-based employees of Merck & Co., Inc., Merck Holdings, Inc., Merck and Company Incorporated, KBI Enterprises, Inc., Rosetta Inpharmatics LLC, and Merck HDAC Research. LLC, Abmaxis, Inc., Glycofi, Inc., and former salaried employees of those entities who are “retirees” eligible for Retiree Choice and who retired after January 1, 2003;
- Union employees of Merck & Co., Inc., who are members of the following collective bargaining units: Graphic Communications Local 4C; International Brotherhood of Teamsters, Local 107; International Union of Operating Engineers and its Local 68; Merck Independent Union and former employees of Merck & Co., Inc. who were members of those collective bargaining units when they were employed by Merck & Co., Inc. who are “retirees” eligible for Retiree Choice and who retired after January 1, 2003 ;
- Employees of Merck & Co., Inc, represented by collective bargaining units that make up the Inter Union Council (“IUC”) and former employees of Merck & Co., Inc. who were members of the IUC when they were employed by Merck & Co., Inc. who are “retirees” eligible for Retiree Choice and who retired after January 1, 2003; and
- Employees of Merck & Co., Inc, represented by collective bargaining units that make up the United Steelworkers Union Local 10-86 (formerly the Paper, Allied-Industrial, Chemical and Energy Workers and its Local 2-86 “PACE 2-86”) and former employees of Merck & Co., Inc. who were members of United Steelworkers Union Local 10-86 (formerly PACE 2-86) when they were employed by Merck & Co., Inc. who are “retirees” eligible for Retiree Choice and who retired after July 1, 2004.

The benefits described here do not apply to any employee or former employee of Merck & Co., Inc., (or its subsidiaries or joint ventures) other than those specifically identified above.

This document constitutes a summary of material modification of the sections of the Merck Benefits Book applicable to Merck’s Dental, Vision, Life Insurance and Long-Term Care Plans for Flex-Eligible employees/retirees and should be kept with those sections. (Copies are available online at <http://humres.merck.com/benefits>). This document also constitutes a summary of material modification to the summary plan description for the dental and life insurance plans applicable to members of United Steelworkers Union Local 10-86 (formerly PACE 2-86) and should be kept with those documents. With respect to Merck’s Medical Plan for Flex-Eligible employees/retirees, this document is provided for information only; the terms and conditions of domestic partner benefits under the Medical Plan for that group is described in the applicable Merck Benefits Book, effective as of January 1, 2007.

Also, keep in mind that with the exception of information about benefits that are part of Merck’s Flexible Benefits Program, the Merck Benefits intranet and internet websites referred to in this guide (online at <http://humres.merck.com/benefits> and <http://www.merck.com/benefits>, respectively) apply only to non-union flex-eligible employees.

Merck reserves the right to amend or terminate the benefit plans and programs described in this brochure at any time, subject to the terms of any applicable collective bargaining agreement.

**Effective January 1, 2007
Revised October 2006**

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Benefits for a Diverse World...and Workforce

Merck is pleased to offer eligible employees the opportunity to cover same-sex domestic partners (and partners' eligible dependents) under certain plans that are part of Merck's various benefits programs. This extension of coverage is consistent with Merck's commitment to offer competitive benefit programs—and supports the Company's many diversity policies and initiatives.

This brochure provides information about same-sex domestic partner benefits, including an overview of who's eligible, benefit-by-benefit details, financial (and tax) implications related to these benefits and guidance about changes during the year.

Your eligibility to cover a same-sex domestic partner under certain benefits is determined by your employee status. Please review the following eligibility and participation chart:

Eligibility and Participation...		
Flex-Eligible Salaried and Hourly Employees:	Employees Who are Members of a Collective Bargaining Unit that is part of the IUC:	Employees Who are Members of the United Steelworkers Union Local 10-86 (formerly Pace 2-86) Collective Bargaining Unit:
<p>If you participate in the Merck Flexible Benefits Program, you may elect medical, dental, vision, dependent life insurance, survivor income insurance and long-term care insurance for your same-sex domestic partner (and his/her eligible dependent children) as follows:</p> <ul style="list-style-type: none"> ▪ When enrolling in Merck's Flexible Benefits Program for the first time. ▪ Each fall during the annual flex benefits open enrollment period. ▪ During the calendar year—based on the rules governing permitted plan changes. 	<ul style="list-style-type: none"> ▪ Effective January 1, 2007, these employees are considered Flex-Eligible Hourly Employees 	<p>If you are a Merck employee who is a member of the United Steelworkers Union Local 10-86 (formerly Pace 2-86) collective bargaining unit, you may elect dental and survivor income insurance for your same-sex domestic partner (and his/her eligible dependent children) as follows:</p> <ul style="list-style-type: none"> ▪ When enrolling in Merck Benefits or the first time. ▪ Each fall during the annual enrollment period. ▪ During the calendar year—based on the rules governing permitted plan changes. <p>Medical coverage for United Steelworkers Union Local 10-86 (formerly Pace 2-86) employees is provided through richard Gabriel associates. Please contact richard Gabriel associates at 215-773-0900 for more information.</p>

A Few Words about Confidentiality

At Merck, all benefit elections—and the identities of covered dependents—are treated with the highest degree of confidentiality and sensitivity. Information about employee elections regarding same-sex domestic partner benefits will be subject to the same processes and protocols in place for all employee data.

Currently, employee information is maintained behind Merck's firewall and is subject to very strict internal data access and security requirements. And, internal and external access to employee data is limited only to

those individuals directly responsible for managing data and entering ad hoc employee data election changes (as per employee requests). Although Merck has automated many facets of the benefits-election process—and minimized documentation requirements—paperwork continues to exist.

This is particularly true for a benefit such as same-sex domestic partner coverage—since there are both internal and external administrative issues to consider. For example, Merck needs to adhere to external data and documentation requirements—particularly as mandated by state insurance filings and requirements related to HMO/DPO coverage. And, Merck needs to share employee data with insurance carriers and/or medical and dental claims administrators—so that doctors, dentists and other healthcare providers have necessary coverage and claims-paying information. Please keep in mind that, as always, Merck continues to look for ways to ensure your employee information remains confidential and private—and only shares data on a “need to know” basis.

For More Information

This communication includes a lot of detailed information about same-sex domestic partner benefits. If you need additional guidance—or have questions about these benefits—please feel free to contact the Merck Benefits Service Center at 800-66-MERCK (800-666-3725).

Who’s Eligible...And a Few Important Definitions

If you participate in a Merck-sponsored health or insurance benefit coverage option, you may be eligible to elect certain benefits for your same-sex domestic partner and his/her dependent children. However, there are many legal and tax implications to consider. So, before you make this election, it’s important to begin with a few definitions.

Same-Sex Domestic Partnerships

Merck defines same-sex domestic partners as two people in a spouse-like relationship who share an ongoing, exclusive, emotionally committed relationship (and intend to do so indefinitely) *and* meet all of the following criteria:

- Are the same sex;
- Are at least age 18 and mentally competent to enter into a legal contract;
- Are not related by blood or adoption to a degree closer than permitted by state law for marriage;
- Are not legally married to—or the domestic partner of—anyone else;
- Are jointly responsible for each other’s welfare, financial and other obligations;
- Reside together in the same household—and have done so for at least 12 months; and
- Have registered the same-sex relationship—if residing in a state/municipality that permits such registration (or, are legally married if permitted to do so under applicable law).

Different Definitions Abound

To elect same-sex domestic partner benefits through Merck, you and your partner must meet Merck’s definition of a same-sex domestic partnership. However, certain HMOs/DPOs available through Merck’s benefit programs may have different requirements for determining same-sex domestic partner status—and may require documentation or proof of a same-sex domestic partnership. Before enrolling a same-sex domestic partner (and/or his/her eligible dependent children) in any HMO/DPO be sure to:

- Confirm that you meet both Merck’s and the HMO’s/DPO’s requirements for a same-sex domestic partnership; and
- Provide proof or documentation, as required.

For more details, contact the HMOs/DPOs directly. (For specific contact information, please refer to the HMO/DPO Enrollment/Information Contact Summary Chart included with this brochure.)

Eligible Dependents

Your eligible dependents for most health and insurance benefits—including medical, vision care, dental, long-term care insurance, dependent life insurance and survivor income insurance as applicable¹—are:

- Your spouse or same-sex domestic partner.
- You or your same-sex domestic partner's unmarried children² up to age 19 (or up to age 25 if they are full-time students) who are dependent on you for at least half of their support.
- Physically or mentally disabled children age 19 or older, provided:
 - They became disabled before reaching applicable coverage-ending age limits; and
 - You or your same-sex domestic partner submitted evidence of the disability to the appropriate medical coverage carrier and received approval for continued coverage.

Please note: Eligible dependents are defined a bit differently for purposes of the health care and dependent care accounts. Although the health care and dependent care accounts are available to all eligible employees, the Internal Revenue Service does not permit reimbursement of health care or day care expenses for same-sex domestic partners or their children—unless they are your dependents for federal income tax purposes (see page 6).

Merck Couples

If both you and your same-sex domestic partner (or former spouse/same-sex domestic partner or his/her former spouse/same-sex domestic partner) work for Merck, there are certain rules³ about the coordination of dependent medical and dental coverage. For example, neither you nor your same-sex domestic partner is permitted to elect duplicate coverage for yourselves—and no two parents (and/or stepparents) can elect to cover the same dependent children under any Merck-sponsored medical or dental benefits.

In general, for purposes of the rules related to Merck couples, your same-sex domestic partner is treated as your spouse—and as stepparent to your eligible dependent children. And, your same-sex domestic partner's eligible dependent children are treated as your stepchildren. However, there is an exception to this rule if your same-sex domestic partner is a Merck retiree.

If Your Same-Sex Domestic Partner Is a Merck Retiree

If your same-sex domestic partner is a Merck retiree—eligible for medical and dental coverage under Merck's Retiree Choice Program—his/her ability to cover you and your eligible dependent children is limited. See page 10, "If You Retire."

Dependent Alert!

If your same-sex domestic partner and/or his/her children qualify as your dependents for purposes of federal income taxes, you may be eligible to pay for the cost of their benefits on a tax-favorable basis. See pages 6 - 7 for more details.

Which Benefits Are Available...And Which Are Not

Your eligibility for benefits is based on your employee status. For example, only flex-eligible employees are eligible to participate in the Long-Term Care Insurance, Dependent Life Insurance coverage, and the Financial Planning Benefit. The following is a summary of the benefits which you may—and may not elect—for your same-sex domestic partner and his/her eligible dependent children:

Benefit Description/ Eligibility for Same-Sex Domestic Partner Benefits	Employee Status and Eligibility for Benefits	
	Flex-Eligible	United Steelworkers Union Local 10-86
<p>Medical: The Merck Medical Plan’s various options are offered to you, your eligible dependent children, your eligible same-sex domestic partner and your same-sex domestic partner’s eligible dependent children. Please note:</p> <ul style="list-style-type: none"> ▪ All medical options except the no coverage option, include prescription drug coverage administered by Medco. ▪ All non-HMO options (other than those offered to retirees) include employee assistance and managed behavioral health care benefits through ValueOptions. <p>However, HMOs may have specific definitions and documentation requirements related to this type of coverage. For more details, contact the HMOs directly.</p>	Yes	Medical coverage provided through richard Gabriel associates (215-773-0900)
<p>Dental: The Merck Dental Plan options—are offered to you, your eligible dependent children, your eligible same-sex domestic partner and your same-sex domestic partner’s eligible dependent children.</p> <p>However, DPOs may have specific definitions and documentation requirements related to this type of coverage. For more details, contact the DPOs directly.</p>	Yes	Yes
<p>Vision: The Merck Vision Care Plan coverage is offered to you, your eligible children, your eligible same-sex domestic partner and your same-sex domestic partner’s eligible children.</p>	Yes	No
<p>Health Care and Dependent Care Accounts: Health care and dependent care accounts are available to all flex-eligible employees. However, under current law, the Internal Revenue Service does not permit reimbursement of health care (medical, dental, vision, etc.) or day care expenses for same-sex domestic partners or their children—unless they are your dependents for federal income tax purposes (see page 6).</p>	Yes	No
<p>Dependent Life Insurance: Dependent life insurance is available for your eligible dependent children, your eligible same-sex domestic partner and your same-sex domestic partner’s eligible dependent children. Rates vary: Dependent life spouse/same-sex domestic partner rates are age-based and subject to POI for coverage greater than \$25,000; Dependent life child rates are flat and no POI is required.</p>	Yes	No
<p>Survivor Income Insurance⁴: Survivor income insurance is available to provide income-replacement benefits to your eligible dependent children, your eligible same-sex domestic partner and your same-sex domestic partner’s eligible dependent children—in the event of your death. Rates are age-based; proof of <i>your</i> good health is generally required.</p>	Yes	Yes
<p>Long-Term Care: Long-term care insurance is available to you and your same-sex domestic partner. Rates are age-based; and proof of good health is generally required.⁵</p>	Yes	No

Closing the Gaps on Other Benefits

The extension of same-sex domestic partner benefits under the various Merck health and insurance benefits programs has no effect on other Merck benefits—for example, under the Savings Plans and the Retirement Plans. However, if you are part of a same-sex domestic partnership⁶ there are steps you may be able to take to provide your partner with benefits and protections under those plans. For example:

- Under the Merck Savings Plans, at any time you may designate anyone—including your same-sex domestic partner—as your beneficiary.
- Under the Merck Retirement Plans:
 - While you're actively employed, you may be able to provide—through your will—that death benefits payable to your estate be paid to your same-sex domestic partner.
 - When your benefits begin, you can elect one of the Plan's optional forms of payment which allow a non-spouse (such as your same-sex domestic partner) to receive benefits upon your death or to be named as your beneficiary for remaining guaranteed benefits or payments. There's the lump-sum distribution option to consider. And, certain annuity options provide flexibility too.

Keep in mind that you may wish to review your plans with an estate planner or financial/tax advisor.

HMO/DPO Variations

To elect same-sex domestic partner benefits through Merck, you and your partner must meet Merck's definition of a same-sex domestic partnership (see page 2). However, certain HMOs and DPOs available through Merck's benefits programs may have different requirements for determining same-sex domestic partner status—and may require documentation or proof of a same-sex domestic partnership.

Before enrolling a same-sex domestic partner (and/or his/her eligible dependent children) in any HMO or DPO, please be sure to:

- Contact the HMO/DPO directly for enrollment information, required proof/documentation, related forms, etc.; and
- Confirm that you meet **both** Merck's and the HMO's/DPO's requirements for a same-sex domestic partnership.

If you decide to enroll a same-sex domestic partner (and/or his/her eligible dependent children) please complete and return any required paperwork—and provide any needed proof or documentation—directly to the HMO/DPO.

Financial Considerations

You and Merck share the cost of covering a same-sex domestic partner and/or his/her eligible dependent children—the same as you would for coverage of a spouse and your own eligible dependent children.

However, there are additional financial and tax implications to consider. For example, if you elect:

- Medical, dental and vision (as applicable) for your same-sex domestic partner and/or his or her eligible dependent children, in most cases you'll pay more in taxes than you would if you were covering a spouse and your own eligible dependent children. See *Additional Taxable Income on Medical and Dental Coverages* for more information.
- Survivor income insurance⁷, you'll pay taxes on the value of this coverage—just as any other employee would.
- Dependent life insurance and/or long-term care insurance (if applicable), your taxes won't be affected.

Additional Taxable Income on Medical and Dental Coverages

It's important for you to understand the tax implications of covering a same-sex domestic partner and/or his/her eligible dependent children. You may wish to consult a tax advisor to determine the full tax and financial effect of electing this coverage.

About Imputed Income

Under the Internal Revenue Code, the tax treatment of employer contributions toward the cost of medical, dental and vision coverage varies based on who is covered. Employer costs for coverage of:

- Employees and their eligible dependents (as defined under the federal tax code) **are not** considered taxable income to the employee.
- Same-sex domestic partners and partners' eligible dependent children **are** considered taxable income to the employee—unless the dependents are the employee's dependents for federal income tax purposes.

As a result, the full cost of medical, dental and vision coverage for your same-sex domestic partner and his/her eligible dependent children is—in most cases—added to your income and subject to federal, state and local taxes—as well as applicable employment and payroll taxes. These additions—known as *imputed income*—represent the value of the coverage provided through your contributions and the Company's contributions. They are determined based on Merck's COBRA⁸ coverage rates, minus the 2% administrative fee.

Your contributions for coverage for your same-sex domestic partner and/or his/her eligible dependent children will appear on your Enrollment Worksheet⁹ and your pay stub as pre-tax. However, the full value of these benefits—including the amounts you paid on a pre-tax basis, plus those contributions provided by the Company—will be taxed and shown as *imputed income* on your paycheck and your year-end W-2 statement.

Please note: Imputed income is not included in your base pay for purposes of calculating your benefits or contributions under pay-related benefits (medical deductible, life insurance, Savings Plan contributions, Retirement Plan benefits, etc).

An Exception to the Rule: Dependents for Federal Income Tax Purposes

If your same-sex domestic partner and/or his/her eligible dependent children qualify as your dependents for federal income tax purposes, the employer costs for their medical, dental and vision benefits **are not** considered taxable income to you.

According to the Internal Revenue Code, your same-sex domestic partner and/or his/her children can be claimed as dependents for federal income tax purposes (on your tax return) for any calendar year in which they are:

- Citizens, nationals or residents of the United States;
- Living with you and a member of your household;
- In a relationship with you that does not violate local laws;
- Receiving over half their support for the year from you; and
- For certain purposes, earning income of less than \$3,200 for the year (during 2005; indexed in future years).

To determine if your same-sex domestic partner and/or his/her children are your dependents for federal income tax purposes, you may wish to consult with a tax advisor.

Calculating Your Total Coverage Costs

Your total coverage costs for same-sex domestic partner benefits is equal to the amount of your pre-tax¹⁰ contributions *plus* the additional income tax you'll pay—based on the imputed income you'll incur. To help you get started with these calculations, you'll need your *Enrollment Worksheet*, available through Fidelity NetBenefits at <http://netbenefits.fidelity.com>. You'll also need the following information and forms: the applicable *Monthly Imputed Income Chart for Same-Sex Domestic Partner Medical, Dental and Vision Benefits* (updated annually—and available online through the Reference Library of Fidelity NetBenefits at <http://netbenefits.fidelity.com>) and the *Additional Tax Worksheet for Same-Sex Domestic Partner Benefits*.

1. Use your *Enrollment Worksheet*¹⁰ to select a medical, dental or vision coverage option. Determine whether your pre-tax contributions for the options you select will increase—based on the type of dependents you're choosing to cover.
2. Determine whether your same-sex domestic partner and/or his/her eligible dependent children are your dependents for federal income tax purposes.
 - If yes, be sure to notify the Merck Benefits Service Center at 800-66-MERCK (800-666-3725). Your total cost will be your pre-tax contributions for the options you've selected, based on the type of dependents you've chosen to cover. You'll have no imputed income...and therefore, no additional tax liability.
 - If no, use the applicable *Monthly Imputed Income Chart for Same-Sex Domestic Partner Medical, Dental and Vision Benefits* (updated annually—and available online through the Reference Library of Fidelity NetBenefits at <http://netbenefits.fidelity.com>) to determine the amount of imputed income (COBRA rates minus the 2% administrative fee). **Please note that the imputed income is determined based on the type of same-sex domestic partner dependents you've chosen to cover—that is your same-sex domestic partner and/or his/her eligible dependent children.** Then use the *Additional Tax Worksheet for Same-Sex Domestic Partner Benefits* (included with this brochure) to determine the additional taxes you will pay on the imputed income you'll incur. Your total cost will be your pre-tax contributions for the options you've selected (based on the type of dependents you've chosen to cover) *plus* the tax on the imputed income for that coverage.

Determining the Tax Consequences of Imputed Income

Unless your same-sex domestic partner and/or his/her eligible dependent children are your dependents for federal income tax purposes, you will be required to pay (and Merck is required to withhold) federal, state and local taxes—as well as applicable employment and payroll taxes—on any imputed income related to your dependents' benefits coverage.

To help you calculate the approximate amount of additional annual taxes you will pay on this imputed income, refer to the *Additional Tax Worksheet for Same-Sex Domestic Partner Benefits* included with this brochure.

Merck strongly recommends that you consult a tax advisor to determine the effect of adding benefits coverage for a same-sex domestic partner and/or his/her eligible dependent children on your overall tax liability.

Claiming Dependents...For Federal Income Tax Purposes

To claim your same-sex domestic partner and/or his/her eligible dependent children as dependents for federal income tax purposes, you must notify the Merck Benefits Service Center. It is your responsibility to notify the Merck Benefits Service Center to ensure that the full cost of same-sex domestic partner benefits coverage is not taxable to you in a given year. Likewise, if your same-sex domestic partner/children cease to be tax dependents (no longer qualify as dependents for tax purposes, you must notify the Merck Benefits Service Center. You may make changes by calling the Merck Benefits Service Center (prospective and retroactive). Changes will be processed as soon as administratively feasible. However, if you do not notify the Merck Benefits Service Center by December 1, this benefits coverage will be shown as additional taxable (imputed) income on your year-end W-2 for that calendar year.

Making Coverage Decisions

After calculating the total cost of same-sex domestic partner benefits—in terms of your additional pre-tax contributions and additional taxes on any imputed income—you may find that same-sex domestic partner benefits don't make sense for you. In fact, it may be less expensive for your same-sex domestic partner to keep the coverage offered by his/her own employer, if available. However, if other group coverage is not available to your same-sex domestic partner, you'll probably determine that coverage through Merck is a very attractive and cost-effective alternative to individual benefits coverage.

Changes During the Year

The benefits you choose generally remain in effect for a full calendar year—from January 1 through December 31—provided you meet all actively-at-work and/or proof-of-good-health requirements. (However, coverage may begin later if you become eligible for benefits during the year, for example, if you are a new hire or re-hire.) Generally, you can change your options only during the next annual enrollment period—for coverage effective the following January 1. However, you may change your coverage during the year, if you have certain life events—and even then, you may only make changes that are consistent with the life event itself.

For example, suppose you enter into a same-sex domestic partnership—and meet all of the criteria for this relationship as defined by Merck. The rules for benefit changes related to “marriage” will apply, which means you can make certain changes to your:

- Medical and dental coverage;
- Life insurance elections (optional, dependent and survivor income); and
- Long-term care (if applicable) spouse/same-sex domestic partner insurance coverage.

Life Events That May Permit— Or Require—Mid-Year Benefit Changes

- Entering into same-sex domestic partnership—and meeting all of the criteria for this relationship as defined by Merck;
- Ending a same-sex domestic partnership;
- Having or adopting a child;
- Having a child lose eligible dependent status (for example, as a result of age or change in student status); and
- Gaining or losing employment and eligibility for coverage by a same-sex domestic partner.

Pages 8-11 of this brochure describe the process associated with making mid-year benefit changes. They also highlight how same-sex domestic partner benefits may be affected by certain life events, regardless of when they occur.

Making Mid-Year Changes—the 30-Day Rule

With the exceptions noted below regarding adding medical coverage for a new dependent child due to birth or adoption, if you experience an event that permits you to change your benefits during the year, the effective date for the change will be the date of the event itself, provided you notify Fidelity within 30 days of the event (the 30 day rule does not apply to survivor income insurance coverage changes for United Steelworkers Union Local 10-86 (formerly Pace 2-86) employees. See [Survivor Income Changes for IUC and United Steelworkers Union Local 10-86 \(formerly Pace 2-86\) employees](#). Contribution changes associated with your change in benefits will be effective the first of the month following the date you notify Fidelity. If you fail to notify Fidelity within 30 days, you will not be permitted to make a change until the next annual enrollment period.

Adding a New Child through Birth or Adoption

To add coverage for a new child through birth or adoption, the general 30-day rule described above applies to all requested coverage changes (and consequent contribution changes) except medical coverage. For employees requesting medical coverage for a new child through birth or adoption, the following special coverage and contribution effective dates apply:

If you request medical coverage for your new child...	the medical coverage effective date will be...	with contributions effective...
within 30 days of the date of the birth or adoption	the date of the event	the first of the month following the date of notification
after 30—but within 90 days of the date of the birth or adoption	the date of the event	the first of the month following the date of the event
after 90 days of the date of the birth or adoption	the first of the month following the date of notification	the first of the month following the date of notification

Survivor Income Changes for United Steelworkers Union Local 10-86 (formerly Pace 2-86) Employees

Please note that for employees represented by the United Steelworkers Union Local 10-86 collective bargaining unit, the 30 day rule does not apply to Survivor Income. Employees in the United Steelworkers Union Local 10-86 may change their Survivor Income coverage at any time, subject to the plan’s proof of insurability requirements. For changes requested beyond 90 days of the life event, proof-of-insurability requirements apply.

If You Begin a Same-Sex Domestic Partnership

If you enter into a same-sex domestic partnership—and meet all of the criteria¹¹ for this relationship as defined by Merck:

- You are considered to be in a same-sex domestic partnership; and
- Your same-sex domestic partner (and/or his/her dependent children) is eligible for certain benefits coverage.

Since Merck defines same-sex domestic partners as two people in a spouse-like relationship, when you enter into a partnership—and meet all of Merck’s requirements—the rules for benefit changes related to “marriage” apply. To make the necessary changes in coverage and covered dependents, contact the Merck Benefits Service Center at 800-66-MERCK (800-666-3725) or make changes online through Fidelity NetBenefits at <http://netbenefits.fidelity.com>.

If Your Same-Sex Domestic Partnership Ends

If your same-sex domestic partner relationship ends or if you no longer meet all of the criteria of a same-sex domestic partnership as defined by Merck:

- You are no longer considered to be same-sex domestic partners; and
- Your former same-sex domestic partner (and/or his/her dependent children) is no longer eligible for coverage.

Since Merck defines same-sex domestic partners as two people in a spouse-like relationship, if the partnership ends, the rules for benefit changes related to “divorce” apply. To make the necessary changes in coverage and covered dependents, contact the Merck Benefits Service Center at 800-66-MERCK (800-666-3725) or make changes online through Fidelity NetBenefits at <http://netbenefits.fidelity.com>. Failure to notify Merck in a timely manner that covered dependents are no longer eligible for coverage due to the end of a same-sex domestic partnership may lead to disciplinary action, up to and including termination of employment.

Please note: In the event of the end of your same-sex domestic partnership, your same-sex domestic partner and/or his/her covered dependent children may be eligible to continue medical and dental coverage—provided you notify the Company in a timely manner that the relationship has ended. See page 11, “Continuation of Health Care Coverage.”

If You Become Disabled

If you become disabled, you will be able to continue certain benefits for your covered same-sex domestic partner and/or his/her covered dependent children—just as if they were your spouse and stepchildren—provided you continue to receive benefits from Merck’s Long-Term Disability Plan.

To help you calculate the approximate amount of additional annual taxes you will pay on this imputed income, refer to the *Additional Tax Worksheet for Same-Sex Domestic Partner Benefits* (included with this brochure). Please refer to the current *Merck Benefits Book* for more detailed information. Keep in mind that you will continue to contribute toward the cost of your coverage—and pay taxes on imputed income related to any health care coverage you’ve elected for your same-sex domestic partner dependents.

Information, Estimates and Modeling Tools Available

For more information about imputed income associated with medical, dental and vision coverage for same-sex domestic partners and their eligible dependent children, refer to the applicable *Monthly Imputed Income Chart for Same-Sex Domestic Partner Medical, Dental and Vision Benefits* (updated annually)—and available online through Fidelity NetBenefits at <http://netbenefits.fidelity.com>. To help you calculate the approximate amount of additional annual taxes you will pay on this imputed income, refer to the *Additional Tax Worksheet for Same-Sex Domestic Partner Benefits* included with this brochure.

If You Retire:

If Your Retirement Date is:

On or Before January 1, 2003:

If you are eligible for Merck’s Retiree Choice Program and you retired from Merck on or before January 1, 2003 (on or before July 1, 2005 if you were a member of the United Steel Workers Union Local 10-86, formerly PACE 2-86), your same-sex domestic partner and/or his/her dependent children are not eligible to be covered as your dependents under Merck’s Retiree Choice Program.

After January 1, 2003 but Before April 1, 2007:

If you are eligible for Merck’s Retiree Choice Program and you retired (or retire) from Merck after January 1, 2003 (after July 1, 2004 if you were/are a member of United Steelworkers Union Local 10-86 (formerly Pace 2-86) but before April 1, 2007 you may elect to **continue** medical and dental benefits through Retire Choice for your same-sex domestic partner and/or his/her eligible dependent children who are covered under those benefits as your dependent on the date immediately prior to your retirement date. If your same-sex domestic partner and/or his/her eligible dependent children were not covered under Merck’s medical/dental benefits on the date immediately prior to your retirement date, they are not eligible to be covered as your dependents under Retiree Choice at any time during your retirement.

Through March 31, 2007 you can only drop coverage for your same-sex domestic partner and/or his/her eligible dependent coverage under Retiree Choice. As of April 1, 2007, your same-sex domestic partner and his/her eligible dependents who are covered under Retiree Choice as your dependents as of March 31, 2007 are automatically registered as Dependents of Record. On and after April 1, 2007, if you drop coverage for your Dependents of Record during your retirement, you will be able to re-enroll them at a later date, provided they meet the definition of an eligible dependent at that time. Any individuals who is not your Dependent of Record is not eligible for coverage as your dependent under Retiree Choice.

So, if you're considering retirement prior to April 1, 2007, and you have a same-sex domestic partner, please be sure to select your benefits—and your covered dependents—carefully during the annual enrollment opportunities available to you while you're employed. And, keep in mind that there may be tax consequences associated with this coverage.

On or After April 1, 2007

If you retire on or after April 1, 2007, you can cover your same-sex domestic partner and/or his/her eligible dependent children under Retiree Choice as of your retirement date or thereafter during your retirement, provided they satisfy the definition of an eligible dependent under the plan as of your retirement date; and you register them with the Merck Benefits Service Center within 30 days of your retirement date as your Dependents of Record.

During retirement, you can drop coverage for your Dependents of Record or you can enroll them for coverage, provided they meet the definition of an eligible dependent at that time. Any individual who is not your Dependent of Record is not eligible for coverage as your dependent under Retiree Choice.

If You Die

If you die, your same-sex domestic partner and/or his/her dependent children will be treated just as if they were your surviving spouse and stepchildren for purposes of eligibility to continue medical and dental coverage through Merck. As a result, they may be eligible to continue their benefits coverage after your death (if you are a retiree, providing they are eligible dependents that were previously registered through Fidelity as a Dependent of Record). However, there may be tax consequences associated with this coverage. Please refer to the current *Merck Benefits Book* for more detailed information on the terms and conditions of continuation of medical and dental benefits for surviving dependents. The Merck Benefits Service Center should be notified (by phone at 800-66-Merck or at 877-208-0807) within 30 days of your death.

If Your Same-Sex Domestic Partner Dies

Since Merck defines same-sex domestic partners as two people in a spouse-like relationship, when the relationship or partnership ends as a result of death, the rules for benefit changes related to “loss of dependent” apply. To make the necessary changes in coverage and covered dependents, you must contact the Merck Benefits Service Center at 800-66-MERCK (800-666-3725). Keep in mind that you must notify the Merck Benefits Service Center immediately that covered dependents are no longer eligible for coverage due to the death of your same-sex domestic partner. Failure to notify Merck, in a timely manner, about the death of a same-sex domestic partner may lead to disciplinary action, up to and including termination.

Please note: In the event of the death of your same-sex domestic partner, his/her covered dependent children may be eligible to continue medical, dental and vision coverage for a period—provided you notify the Company, in a timely manner, of your partner's death. See “Continuation of Health Care Coverage,” below.

Continuation of Health Care Coverage

Although existing federal law does not extend rights to COBRA coverage to your same-sex domestic partner and his/her covered dependent children, Merck offers continuation of medical, dental and vision coverage in certain cases. Your same-sex domestic partner and his/her covered dependent children will be eligible to elect and pay for continuation of coverage if their benefits are lost under certain circumstances. And, just like COBRA benefits, this continuation of coverage:

- Is available for a maximum of 18, 29 or 36 months.
- Must be paid for on a monthly basis—with contributions based on the full cost of coverage, plus 2% for administrative costs.

Continuation of coverage benefits generally follow the same rules as those applicable to COBRA, as outlined in the *Medical and Dental Merck Benefits Books*. The chart on the following page summarizes the events that

trigger continuation of coverage benefits for your same-sex domestic partner and/or his/her covered dependent children.

Please note: For purposes of these COBRA-like benefits, your same-sex domestic partner and his/her eligible dependent children who lose medical, dental and/or vision coverage as a result of certain events (listed in the following chart) will be treated as if they were qualified beneficiaries.

To be eligible for continuation of coverage, you must notify the Merck Benefits Service Center at 800-66-MERCK (800-666-3725) within 60 days of certain events, as shown in the following chart. You and/or your covered dependents will not be eligible for continuation of coverage benefits—if the Merck Benefits Service Center is not notified of the event within the required 60-day period.

Continuation of Health Care (Medical, Dental, Vision) Coverage Summary Chart		
	Maximum Continuation of Coverage Period	
Event	Same-Sex Domestic Partner	Employee's/Same-Sex Domestic Partner's Covered Dependent Children
Employee terminates employment for any reason (except gross misconduct)	18 months ¹²	18 months ¹²
Employee dies	36 months	36 months
Same-sex domestic partnership ends ¹³	36 months	36 months
Disabled employee becomes entitled to Medicare (and dependents lose coverage)	36 months	36 months
Child is no longer an eligible dependent under Merck's Plans ¹³	N/A	36 months

Getting Started

If you are interested in electing benefits coverage for your same-sex domestic partner and/or his/her eligible dependent children, there are a few things to consider—and some important action steps. The process of enrolling these dependents varies depending on whether you're making an election:

- As a new hire (when you're first eligible);
- During the annual enrollment period; or
- During the year, as part of a mid-year change.

Same-Sex Domestic Partner Benefits Checklist

When you're making an election to cover your same-sex domestic partner and/or his/her eligible dependent children—here's a seven-step checklist to help you get started:

1. Read through this brochure and make sure you understand these benefits. Also, confirm that you and your same-sex domestic partner meet Merck's definition of a same-sex domestic partnership (see page 2). And, if you're interested in electing HMO/DPO coverage, be sure you meet the HMO's/DPO's definition of a same-sex domestic partnership too—by contacting the HMO/DPO directly.
2. Find out about Merck's available benefits online through *Fidelity NetBenefits* at <http://netbenefits.fidelity.com>.
3. Review your *Enrollment Worksheet*, available online through *Fidelity NetBenefits* at <http://netbenefits.fidelity.com>. And, take note of your contributions for coverage under various options.
4. Select your coverage options—based on your personal preferences and benefit needs.
5. Select your Coverage Tier—based on the eligible dependents you'd like to cover, including your same-sex domestic partner, your eligible dependent children and your same-sex domestic partner's eligible dependent children.
6. Determine if your same-sex domestic partner and/or any of his/her eligible dependent children are your dependents for federal income tax purposes (as defined on page 6 of this brochure).
7. Calculate the total cost of your same-sex domestic partner coverage by:
 - Determining your pre-tax contributions for coverage (shown on your Enrollment Worksheet¹).
 - Determining the imputed income (shown on the applicable *Monthly Imputed Income Chart for Same-Sex Domestic Partner Medical, Dental and Vision Benefits*—updated annually and available online through the Reference Library of Fidelity NetBenefits at <http://netbenefits.fidelity.com>).
 - Calculating the monthly and annual tax consequences of your imputed income using the *Additional Tax Worksheet for Same-Sex Domestic Partner Benefits*—included with this brochure.

¹Your eligibility for each benefit is based on your employee status. Please refer to the applicable section of the Merck Benefits Book, available through the Reference Library of Fidelity NetBenefits at www.netbenefits.fidelity.com for eligibility information.

² Children are defined as your biological children, stepchildren, foster children, legally adopted children and children for whom you are legal guardian. Stepchildren are defined as your spouse's/same-sex domestic partner's biological children, foster children, legally adopted children and children for whom your spouse/same-sex domestic partner is legal guardian in each case who are not also your biological children, foster children, legally adopted children and children for who you are legal guardian.

³For more information about the rules for Merck couples, see the Medical and Dental sections of the applicable Merck Benefits Book, available through the Reference Library of Fidelity NetBenefits at www.netbenefits.fidelity.com. Please contact the Merck Benefits Service Center at 800-66-MERCK (800-666-3725) with questions about coverage and eligibility issues related to Merck couples.

⁴ If you elect survivor income insurance within 30 days of the date you are first eligible for survivor income coverage (or within 30 days of the date you first become eligible to add coverage for a same-sex domestic partner and/or his/her eligible dependent children), proof of good health requirements are waived. Please note that for employees who are members of the United Steelworkers Union 10-86 collective bargaining units only, proof-of-insurability requirements apply if the change is requested beyond 90 days of the life event.

⁵If you elect long-term care insurance for yourself when you are first eligible (for example, as a new hire or re-hire) proof of good health requirements are waived; however, if you elect this coverage for your same-sex domestic partner, proof of your domestic partner's good health is required.

⁶As defined on page 2, including the requirement that you are not legally married to—or the domestic partner of—anyone else.

⁷All employees pay taxes on the value of survivor income insurance. The imputed income associated with this coverage appears on your Enrollment Worksheet available through Fidelity NetBenefits at <http://www.netbenefits.fidelity.com>.

⁸COBRA is short for the Consolidated Omnibus Budget Reconciliation Act. This federal law requires employers to offer employees, retirees and their eligible dependents a temporary extension of health care benefits (known as COBRA coverage) under certain instances when coverage under the plan would otherwise end. COBRA coverage costs are determined based on the full cost of coverage, plus 2%, to cover the cost of administration. As an employer's cost of health care changes, COBRA coverage costs change too.

⁹ Your Enrollment Worksheet is available through Fidelity NetBenefits at <http://www.netbenefits.fidelity.com>.

¹⁰ Your Enrollment Worksheet for the upcoming year will not be available until the Annual Enrollment period. Until then, please estimate your pre-tax contributions for medical, dental and vision coverage by referring to your current Enrollment Worksheet through Fidelity NetBenefits at <http://www.netbenefits.fidelity.com>. However, keep in mind that certain contributions may be adjusted the upcoming year.

¹¹ Please note that you will not be eligible to elect coverage for a new same-sex domestic partner (and/or his/her children) until you and your new same-sex domestic partner have resided together in the same household for at least 12 months. This means you may not add coverage for a new same-sex domestic partner (and/or his/her eligible dependent children) until at least 12 months after your relationship with a former same-sex domestic partner has ended.

¹² May be extended to 29 months if you or a covered dependent is determined—by Social Security—to be disabled at any time within the first 60 days of continuation of coverage.

¹³You must notify the Merck HR Service Center within 60 days of the event for your same-sex domestic partner and/or his/her covered dependent children to be eligible for continuation of coverage benefits based on these events.

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