



**MERCK
PAY & BENEFITS**

Merck's Adoption Assistance Program

Eligibility, Benefits, Tax Considerations, and Other Resources

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This brochure describes the Merck & Co., Inc. *Adoption Assistance Program* as it applies to:

- Salaried U.S.-based employees of Merck & Co., Inc., Merck Holdings, Inc., Merck and Company Incorporated, KBI Enterprises, Inc., Rosetta Inpharmatics LLC, Merck Liability Management Company and Aton Pharma, Inc.;
- Employees of Merck & Co., Inc, represented by collective bargaining units that make up the Inter-Union Council ("IUC");
- Employees of Merck & Co., Inc, represented by collective bargaining units that make up the Paper, Allied-Industrial, Chemical and Energy Workers and its Local 2-86 ("PACE 2-86"); and
- Employees of Merck & Co., Inc, represented by collective bargaining units that make up the International Union of Operating Engineers and its Local 68 (the "IUOE").

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

The term "employee" does not include an "Excluded Person", as defined in the medical plan section of the Merck Benefits Book as it may be revised from time to time, such as any person hired as an independent contractor, leased employee or consultant.

About Merck's Adoption Assistance Program

Deciding to adopt a child requires careful planning, many considerations and significant financial resources. Merck is pleased to offer the *Adoption Assistance Program*, which provides reimbursement of up to \$5,000 of eligible adoption-related expenses.

This brochure provides information about Merck's *Adoption Assistance Program*, including an overview of available benefits, eligible expenses, important tax information and details for requesting reimbursement.

Who's Eligible

Merck's *Adoption Assistance Program* is available to all salaried employees of Merck & Co., Inc. ("Merck"), Merck Holdings, Inc., Merck and Company Incorporated, KBI Enterprises, Inc., Rosetta Inpharmatics LLC, Merck Liability Management Company and Aton Pharma, Inc. (collectively with Merck, the "Company"); and employees of Merck represented by the IUC; PACE 2-86, and IUOE collective bargaining units.

When Participation Begins

Eligibility to begin to participate in the *Adoption Assistance Program* varies according to employee status and negotiated union contracts as follows:

Eligibility to Begin Participation in the Adoption Assistance Program...			
Salaried Employees:	IUC Members:	IUOE Members:	PACE 2-86 , Graphic Communications Local 4C; International Brotherhood of Teamsters, Local 107; and Merck Independent Union Members:
April 1, 2003 or the date employment with the Company begins, whichever is later (except for those who were employees of Aton Pharma, Inc. on March 17, 2004, in which case eligibility began on March 17, 2004).	July 1, 2003 or the date employment with Merck begins, whichever is later.	January 1, 2005 or the date employment with Merck begins, whichever is later.	January 1, 2005 or the date employment with Merck begins, whichever is later.

How the Adoption Assistance Program Works

The *Adoption Assistance Program* is designed to reimburse a portion of expenses related to domestic and foreign adoptions.

Maximum Benefit

Merck reimburses a maximum of \$5,000 per child, per family for eligible, adoption-related expenses. Employees are eligible for this reimbursement for each child adopted. An attempt that leads to a successful adoption of a child and any unsuccessful attempt to adopt a different child are treated as one adoption.

Note: If both parents are eligible for adoption benefits through Merck's Adoption Assistance Program, the maximum benefit applies jointly.

Tax Alert!

Reimbursement through the *Adoption Assistance Program* is subject to applicable withholding and will be reported to the IRS. See *Tax Considerations* for more information about the taxation—and tax implications—of these benefits.

Eligibility Requirements for Adoptive Children

To be eligible for adoption benefits through Merck's *Adoption Assistance Program*, the adoptive child must be under the age of 18. If the child is physically or mentally incapable of caring for himself/herself (as outlined in *IRS Publication 968—Tax Benefits for Adoption*), no age limit applies. In addition, expenses related to the adoption of stepchildren are not eligible for reimbursement through the *Adoption Assistance Program*.

Expenses Eligible for Reimbursement

Only expenses that are reasonably and directly related to adoption—and consistent with the guidelines described in *IRS Publication 968—Tax Benefits for Adoption* are eligible for reimbursement. Examples of reimbursable adoption expenses include:

- Agency and placement fees (including home study fees);
- Legal fees and court costs;
- Medical expenses for the adoptive child prior to adoption;
- Medical expenses for the adoptive child’s birth mother;
- Temporary foster care costs;
- Immigration, immunization and translation fees;
- Travel and transportation costs (including amounts spent for meals and lodging);
- Counseling fees associated with placement and initial adjustment (beyond what’s covered under an employer’s medical plan);
- Otherwise eligible expenses that were part of an unsuccessful attempt to adopt a different child; and
- Other expenses as determined by Merck, consistent with [IRS Publication 968](#).

To be eligible for reimbursement, expenses must be reasonably and directly related to adoption **and** must be incurred on or after the dates described in the following chart with respect to adoptions finalized as set forth on the following chart:

To be Eligible for Reimbursement, Expenses Must Be Incurred and Adoptions Finalized for...			
Salaried Employees:	IUC Members:	IUOE Members:	PACE 2-86 , Graphic Communications Local 4C; International Brotherhood of Teamsters, Local 107; and Merck Independent Union Members:
on or after April 1, 2003, to be eligible for reimbursement (except for those who were employed by Aton Pharma, Inc. on March 17, 2004, expenses must be incurred on or after April 1, 2003 and adoptions must be finalized after March 17, 2004). Only expenses related to adoptions finalized while an employee of the Company (or any of its subsidiaries, other than its joint ventures) are eligible for reimbursement.	on or after July 1, 2003, to be eligible for reimbursement. Only expenses related to adoptions finalized while an employee of the Company (or any of its subsidiaries, other than its joint ventures) are eligible for reimbursement.	on or after January 1, 2005, to be eligible for reimbursement. Only expenses related to adoptions finalized while an employee of the Company (or any of its subsidiaries, other than its joint ventures) are eligible for reimbursement.	on or after January 1, 2005, to be eligible for reimbursement. Only expenses related to adoptions finalized while an employee of the Company (or any of its subsidiaries, other than its joint ventures) are eligible for reimbursement.

Expenses Not Eligible for Reimbursement

Expenses not eligible for reimbursement through *Merck's Adoption Assistance Program* include, but are not limited to, those expenses that are:

- Incurred before the *Adoption Assistance Program* as it applies to you began (see *Expenses Eligible for Reimbursement*);
- Allowed as a credit or deduction under any other federal income tax rules;
- Reimbursable under a federal, state or local program;
- Reimbursable under another employer-sponsored program;
- In violation of federal or state law;
- Associated with a surrogate parenting arrangement;
- Associated with the adoption of the employee's spouse's children (stepchildren);
- Submitted later than 12 months following the date the adoption becomes final;
- Incurred after your participation in the *Adoption Assistance Program* ends (see *When Participation Ends*);
- Incurred with respect to adoptions not finalized while you are an employee of the Company (or any of its subsidiaries, other than its joint ventures);
- Expenses submitted for reimbursement before the adoption is finalized; or
- Determined as ineligible by Merck, consistent with [IRS Publication 968](#).

Getting Reimbursed

Once an adoption is finalized, benefits—and reimbursement—may be requested by:

- Completing and submitting Merck's [Adoption Assistance Program Reimbursement Form](#) within 12 months of the adoption's finalization (also available through the internet at <http://www.merck.com/benefits>).
- Attaching any itemized bills or receipts for eligible expenses—and a copy of the final *Adoption Decree*.
- Sending all paperwork to the following address:

Merck's Adoption Assistance Benefits Program, CR-LEAV
One Merck Drive
Whitehouse Station, NJ 08889

Please note that all requests for reimbursement must be submitted no later than 12 months following the date the adoption becomes final to be considered for reimbursement. In addition, you must be an employee of the Company (or any of its subsidiaries, other than its joint ventures) on the date the adoption is final to be eligible for reimbursement. Reimbursement requests will be reviewed, and to the extent approved, reimbursed as quickly as administratively possible. If your request for reimbursement is denied, you can submit an appeal. Your appeal must be submitted in writing—and within 60 days of the denial—to Merck's *Adoption Assistance Program* at the address listed above.

Tax Considerations

Expenses can be reimbursed under the *Adoption Assistance Program* only after they are incurred and after the adoption is final. As with many employer-sponsored benefits, a few important tax considerations apply:

- Adoption assistance reimbursements are distributed free of federal income tax withholding¹—but still may be considered taxable income when you file your tax return. If you must include any of the payments in your income, your withholding may not be enough to cover the tax on those payments. Therefore, you may need to adjust your withholding by filing a new *Form W-4*.
- Merck is required to withhold employment taxes¹ on reimbursements—and to report them on *Form W-2*.
- Tax-exempt reimbursements of adoption-related expenses are subject to IRS dollar and income limitations as periodically indexed by the IRS. For example, in 2005, if your adjusted gross income is:
 - \$159,450 or less, reimbursements are excluded from gross income for federal income tax purposes.
 - Between \$159,451 and \$199,449, the exclusion is limited.
 - \$199,450 or more, reimbursement is considered fully taxable.

For additional information about exclusions and income limits, please refer to [IRS Publication 968—Tax Benefits for Adoption](#), available online at <http://www.irs.gov/pub/irs-pdf/p968.pdf>. Also, please contact a personal tax advisor with any questions about the taxation of adoption assistance benefits.

When Participation Ends

Eligibility for Merck's *Adoption Assistance Program* ends on the earliest of the following to occur:

- The date your employment ends with the Company;
- The date you no longer meet the Program's eligibility requirements; or
- The date Merck amends or terminates the Program.

Other Considerations

Updating Your Merck Benefits

Adopting a child is considered a life event that allows you to make certain permitted plan changes to the benefits provided to you by Merck and/or through your collective bargaining unit². For benefits provided by Merck, please refer to the applicable sections of the Merck Benefits Book (and its summary of material modifications) for more details about your ability to change your benefit coverages—including time limits applicable to enrolling a newly eligible dependent for benefits. Please note that you may not need to wait until the adoption is final in order to make changes to your benefits—or to enroll your newly eligible dependent. For more information on changing your Merck benefits, please contact the Merck Benefits Service Center at 800-255-5794. For employees represented by PACE 2-86, for information on changing your medical benefits, please contact richard Gabriel associates at 215-773-0900.

Adoption Resources

In addition to the benefits described in this brochure, here are a few other Merck-sponsored adoption-related resources to consider:

- **LifeWorks**[®]—offered by Merck at no cost to employees, this benefit offers employees and family members consulting services and materials related to everyday coping, work, education and family support. LifeWorks also provides parenting tips and child care information, including referral services. To contact LifeWorks, call 800-635-0606 or visit their website at <http://www.lifeworks.com/> (username: merck; password: kaboodle).
- **ValueOptions**—administrator of the Merck Employee Assistance and Behavioral Health Care Program provides services for employees and family members any day...anytime. By calling ValueOptions, individuals can speak with a professional counselor who will evaluate and help determine eligibility^{2,3} for certain Merck benefits. To contact ValueOptions, call 877-44-Merck or visit their website at <http://www.achievesolutions.net/merck/> (user id: employee last name; password: employee first name), for access to articles, tips and quizzes on everything from adoption to balancing work and life.

Administrative Information

Merck & Co., Inc. is the Program Administrator for the *Adoption Assistance Program*. Benefits under this Program will be paid only if Merck & Co., Inc. decides, in its discretion, that you are entitled to them. Merck shall make, in its sole discretion, all determinations arising in the administration, construction or interpretation of the Program, and in connection therewith it shall construe Program terms and provisions, correct any defects, make factual determinations, reconcile any inconsistencies and supply any omissions—and any such determinations shall be conclusive and binding on all persons, to the maximum extent permitted by law.

Merck reserves the right to amend or terminate the Program at any time. Any amendment, termination or other action shall be by duly adopted resolution of the U.S. Compensation and Benefits Committee with the concurrence of Merck's Chief Executive Officer or may be made by any person authorized to take such action on their behalf.

Change in Control

Notwithstanding anything contained herein to the contrary, in the event of a "Change in Control" of Merck, (a) , except to the extent required by applicable law, for two years following the Change in Control, the material terms of the *Adoption Assistance Program* (including terms relating to eligibility and benefits) cannot be modified in a manner that is materially adverse to individuals who participated in the *Adoption Assistance Program* immediately before the Change in Control; and (b) for 2 years following the Change in Control, the *Adoption*

Assistance Program cannot be amended to reduce or eliminate the protections set forth in the foregoing clause (a); and (c) Merck will pay the legal fees and related expenses reasonably and in good faith incurred by any participant that prevails on his or her claim for relief in an action regarding an amendment to the *Adoption Assistance Program* (but excluding claims for plan benefits in the ordinary course) that is impermissible under the foregoing clauses (a) and (b). "Change in Control" has the same meaning that it has under the Merck & Co., Inc. Change in Control Separation Benefits Plan, as it may be amended in accordance with its terms from time to time.

¹ *State taxes may be withheld as well.*

² *Medical coverage for PACE 2-86 employees is provided by the PACE 2-86 union and administered through Richard Gabriel associates.*

³ *All Merck employees and eligible family members may take advantage of employee assistance assessment and related services; however, eligibility for managed behavioral health care benefits varies based on medical coverage.*

