

MERCK & CO INC
Form 11-K
June 20, 2007

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 11-K
ANNUAL REPORT
Pursuant to Section 15(d) of the
Securities Exchange Act of 1934**

(Mark One)

☐ **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the fiscal year ended December 31, 2006

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 1-3305

Employer Identification Number: 22-1109110

Plan Number: 001

MERCK & CO., INC. EMPLOYEE SAVINGS AND SECURITY PLAN

(Full title of the plan)

MERCK & CO., INC.

(Name of issuer of the securities held pursuant to the plan)

One Merck Drive

P.O. Box 100

Whitehouse Station, New Jersey 08889-0100

(Address of principal executive office)

Merck & Co., Inc.
Employee Savings and Security Plan
Employer Identification Number: 22-1109110
Plan Number: 001
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* Other schedules
required by
Section 2520.103-10
of the Department of
Labor Rules and
Regulations for
Reporting and
Disclosure under the
Employee
Retirement Income
Security Act of 1974
are omitted because
they are not
applicable.

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of
Merck & Co., Inc. Employee Savings and Security Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of Merck & Co., Inc. Employee Savings and Security Plan (the Plan) at December 31, 2006 and 2005, and the changes in net assets available for benefits for the year ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) as of December 31, 2006, is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey

June 18, 2007

Merck & Co., Inc.
Employee Savings and Security Plan
Statements of Net Assets Available for Benefits

	December 31,	
	2006	2005
Assets		
Investments		
Investment in the Master Trust	\$ 3,595,468,293	\$ 2,984,052,736
Participant loans	37,274,460	37,519,077
 Total investments	 3,632,742,753	 3,021,571,813
 Receivables		
Employer contribution	7,133,134	6,704,706
Participant contribution	17,026,291	15,710,064
Accrued interest and dividends	6,942,180	7,018,941
 Total receivables	 31,101,605	 29,433,711
 Net assets available for benefits	 \$ 3,663,844,358	 \$ 3,051,005,524

The accompanying notes are an integral part of these financial statements.

Merck & Co., Inc.
Employee Savings and Security Plan
Statement of Changes in Net Assets Available for Benefits

	Year Ended December 31, 2006
Additions to net assets attributed to	
Investment gain from the Master Trust	
Net appreciation in fair value of investments	\$ 414,260,906
Interest and dividends	137,148,109
 Net investment gain	 551,409,015
 Contributions to the Plan	
By participants	222,674,150
By employer	88,782,822
 Total contributions	 311,456,972
 Transfers in	 2,092,979
 Total additions	 864,958,966
 Deductions from net assets attributed to	
Benefits paid to participants	(251,984,902)
Transfers out	(135,230)
 Total deductions	 (252,120,132)
 Net increase	 612,838,834
 Net assets available for benefits	
Beginning of year	3,051,005,524
 End of year	 \$ 3,663,844,358

The accompanying notes are an integral part of these financial statements.

Merck & Co., Inc.
Employee Savings and Security Plan
Notes to Financial Statements

1. Description of Plan

The following description of the Merck & Co., Inc. Employee Savings and Security Plan (the *Plan*) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan was designed to provide an easy, economical way for employees to become stockholders of Merck & Co., Inc. (the *Company* or *Merck*) as well as a systematic means of saving and investing for the future. Regular full-time, part-time, and temporary employees of the Company and of certain wholly-owned subsidiaries as defined by the Plan document who are not covered by a collective bargaining agreement are eligible to enroll in the Plan on or after the first day of the month following their date of hire.

The Plan is administered by a management committee appointed by the Company's Chief Executive Officer or Compensation and Benefits Committee of its Board of Directors.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (*ERISA*).

Master Trust

The assets of the Plan are maintained, for investment purposes only, on a commingled basis with the assets of the Merck & Co., Inc. Employee Stock Purchase & Savings Plan in the Merck & Co., Inc. Employee Savings & Security Plan and the Merck & Co., Inc. Employee Stock Purchase & Savings Plan Trust (the *Master Trust*). The plans do not own specific Master Trust assets but rather maintain individual beneficial interests in such assets. The portion of fund assets allocable to each plan is based upon the participants' account balance within each plan. Investment income for each fund is allocated to each plan based on the relationship of each plan's beneficial interest in the fund to the total beneficial interest of all plans in the fund.

Contributions

Participants may contribute from 2% up to 25% of their base pay. Employees earning less than \$90,000 may contribute a maximum of 25% of base pay. Employees earning \$90,000 or more are limited to maximum contributions of 15% of base pay. However, pre-tax contributions cannot exceed the statutory limit for pre-tax deferrals (\$15,000 in 2006). In addition, the Company matches 75% of an employee's contributions up to a maximum of 6% of base pay per pay period. Company matching contributions are invested according to a participant's elections.

Age 50 and above In addition, the Plan permits unmatched pre-tax catch-up contributions of up to \$5,000 for 2006 by participants who are at least age 50 by year end.

Participants direct the investment of their contributions into any fund investment option available under the Plan, including the Merck Common Stock Fund. During 2006, the Plan offered 16 mutual funds, a commingled fund, a separately managed fund and the Merck Common Stock Fund.

Merck & Co., Inc.
Employee Savings and Security Plan
Notes to Financial Statements
Participant Accounts

Each participant's account is credited with the participant's contribution, the Company's matching contribution and an allocation of Plan earnings. The allocation is based on participants' account balances, as defined in the Plan document.

Vesting

Participants are immediately vested in their contributions, all Company matching contributions, plus actual earnings thereon.

Participant Loans

Participants may borrow from their account balances with interest charged at the prime rate plus 1%. Loan terms range from one to five years for a short term loan or up to thirty years for the purchase of a primary residence. The minimum loan is \$500 and the maximum loan is the lesser of (i) \$50,000 less the highest outstanding loan balance(s) during the one year period prior to the new loan application date, or (ii) 50% of the participant's account balance less any current outstanding loan balance and defaulted loan amounts.

Payment of Benefits

In-service (which include hardship withdrawals) and termination distributions are made throughout the year in accordance with applicable Plan provisions.

Other Matters

Transfers in and out during 2006 primarily relate to transfers between the Plan and the Merck & Co., Inc. Employee Stock Purchase and Savings Plan for employees who changed their status during the year.

2. Summary of Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that these estimates are adequate. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Valuation of investments of the Plan represents the Plan's allocable portion of the Master Trust. Quoted market prices are used to value investments. Shares of mutual funds are valued at the net asset value of shares held by the

Master Trust at year end. For the commingled and separately managed funds within the Master Trust, the investment units are based on the current market values of the underlying assets of the fund. Participant loans are valued at their outstanding balances.

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Merck & Co., Inc.

Employee Savings and Security Plan

Notes to Financial Statements

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date.

Contributions

Employee and Company matching contributions are recorded in the period in which the Company makes the payroll deductions from the participants' earnings.

Payment of Benefits

Benefits are recorded when paid.

Expenses

The Plan's administrative expenses are paid by the Company.

Risks and Uncertainties

The Plan provides for various investment options in investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

3. Related-Party Transactions

Certain Plan investments are shares of mutual funds managed by Fidelity Management Trust Company (Fidelity). Fidelity is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. The total market value of investments in the mutual funds managed by Fidelity was \$829,345,318 and \$668,837,111 at December 31, 2006 and December 31, 2005, respectively.

Merck & Co., Inc. also is a party-in-interest to the Plan under the definition provided in Section 3(14) of ERISA. Therefore, Merck Common Stock Fund transactions qualify as party-in-interest transactions. The market value of investments in the Merck Common Stock Fund was \$801,341,057 and \$587,754,541 at December 31, 2006 and December 31, 2005, respectively.

4. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. Upon termination of the Plan, each participant thereby affected would receive the entire value of his or her account as though he or she had retired as of the date of such termination.

Merck & Co., Inc.
Employee Savings and Security Plan
Notes to Financial Statements
5. Tax Status

The Plan obtained a tax determination letter from the Internal Revenue Service dated August 20, 2003 indicating that it had been designed in accordance with applicable sections of the Internal Revenue Code (IRC). However, the Plan has been amended since the receipt of the determination letter. The Plan sponsor and legal counsel believe that the Plan is designed and currently operates in compliance with the IRC. Therefore, no provision for income taxes has been made.

6. Master Trust

The Plan had an approximate 92% and 91% interest in the Master Trust at December 31, 2006 and December 31, 2005 respectively. The net assets of the Master Trust are as follows:

	December 31,	
	2006	2005
Mutual Funds	\$ 2,244,486,627	\$ 2,043,270,222
Commingled and Separately Managed Funds	749,397,294	536,679,881
Merck Common Stock Fund	922,164,315	680,857,190
Accrued interest and dividends	7,989,452	8,144,971
	\$ 3,924,037,688	\$ 3,268,952,264

Total investment income of the Master Trust for the year ended December 31, 2006 is as follows:

	Year Ended December 31, 2006
Investment income, net	
Interest and dividends	\$ 150,532,642
Net appreciation in Mutual Funds	131,696,678
Net appreciation in Commingled and Separately Managed Funds	80,925,360
Net appreciation in Merck Common Stock Fund	247,982,701
 Total investment income	 \$ 611,137,381

**Merck & Co., Inc.
Employee Savings and Security Plan**

**Line 4i Schedule of Assets (Held at End of Year)
December 31, 2006**

**Schedule H
EIN: 22-1109110
Plan No.: 001**

(a)	(b) Identity of Issuer, Borrower, Lessor or Similar Party	(c) Description of Investment Including Maturity date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost	(e) Current Value
	Master Trust	Investment in Master Trust		\$ 3,595,468,293
*	Participant Loans	Interest rates ranging from 5% to 12.5% and with maturities through 2037		37,274,460
		Total		\$ 3,632,742,753

* Denotes a
party-in-interest
to the Plan.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the undersigned plan administrator has duly caused this annual report to be signed on behalf of the Merck & Co., Inc. Employee Savings and Security Plan by the undersigned hereunto duly authorized.

Merck & Co., Inc. Employee Savings and Security
Plan

By: /s/ Mark E. McDonough
Mark E. McDonough
Vice President and Treasurer

June 20, 2007

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EXHIBIT INDEX

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