SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2017 This Form is Open to Public Inspection

For calendar plan year 2017 or fiscal plan year beginning 01/01/2017 and ending 12/31/2017

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of $1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan
PEARSON INC. PENSION PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF
PEARSON INC.

D Employer Identification Number (EIN)
51-0261654

E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B

F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I Basic Information

1 Enter the valuation date: Month 01 Day 01 Year 2017

2 Assets:

a Market value	2a	130,201,714
b Actuarial value	2b	132,151,060

3 Funding target/participant count breakdown	(1) Number of participants	(2) Vested Funding Target	(3) Total Funding Target
a For retired participants and beneficiaries receiving payment	1,196	57,085,356	57,085,356
b For terminated vested participants	2,055	45,197,133	45,197,133
c For active participants	865	22,720,084	22,720,084
d Total	4,116	125,002,573	125,002,573

4 If the plan is in at-risk status, check the box and complete lines (a) and (b) ☐

a Funding target disregarding prescribed at-risk assumptions	4a	
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor	4b	
5 Effective interest rate	5	5.72%
6 Target normal cost	6	840,000

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE JG 8/29/2018

Signature of actuary — Date

JOSEPH GAMZON — 1706924

Type or print name of actuary — Most recent enrollment number

TOWERS WATSON DELAWARE INC. — 212-309-3400

Firm name — Telephone number (including area code)

200 LIBERTY STREET
NEW YORK NY 10281
Address of the firm

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

Part II Beginning of Year Carryover and Prefunding Balances

		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	0	12,243,458
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	1,259,852
9	Amount remaining (line 7 minus line 8)	0	10,983,606
10	Interest on line 9 using prior year's actual return of 7.86%	0	863,311
11	Prior year's excess contributions to be added to prefunding balance:		
	a Present value of excess contributions (line 38a from prior year)		6,873,736
	b(1) Interest on the excess, if any, of line 38a over line 38b from prior year Schedule SB, using prior year's effective interest rate of 5.92%		332,342
	b(2) Interest on line 38b from prior year Schedule SB, using prior year's actual return		99,024
	c Total available at beginning of current plan year to add to prefunding balance		7,305,102
	d Portion of (c) to be added to prefunding balance		7,305,102
12	Other reductions in balances due to elections or deemed elections		
13	Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	0	19,152,019

Part III Funding Percentages

14	Funding target attainment percentage	14	90.39%
15	Adjusted funding target attainment percentage	15	105.71%
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	93.81%
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.	17	%

Part IV Contributions and Liquidity Shortfalls

18 Contributions made to the plan for the plan year by employer(s) and employees:

(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
			Totals ►	18(b) 0	18(c) 0

19	Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:		
	a Contributions allocated toward unpaid minimum required contributions from prior years	19a	0
	b Contributions made to avoid restrictions adjusted to valuation date	19b	0
	c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	0

20 Quarterly contributions and liquidity shortfalls:

a Did the plan have a "funding shortfall" for the prior year? ☒ Yes ☐ No

b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☒ Yes ☐ No

c If line 20a is "Yes," see instructions and complete the following table as applicable:

Liquidity shortfall as of end of quarter of this plan year			
(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions Used to Determine Funding Target and Target Normal Cost

21 Discount rate:

a Segment rates:

1st segment:	2nd segment:	3rd segment:	
4.16 %	5.72 %	6.48%	☐ N/A, full yield curve used

b Applicable month (enter code)	21b	4
22 Weighted average retirement age	22	63

23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute

Part VI Miscellaneous Items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment. ☒ Yes ☐ No

25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment. ☐ Yes ☒ No

26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment. ☒ Yes ☐ No

27 If the plan is subject to alternative funding rules, enter applicable code and see instructions regarding attachment	27	

Part VII Reconciliation of Unpaid Minimum Required Contributions For Prior Years

28 Unpaid minimum required contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a)	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum Required Contribution For Current Year

31 Target normal cost and excess assets (see instructions):

a Target normal cost (line 6)	31a	840,000
b Excess assets, if applicable, but not greater than line 31a	31b	0

32 Amortization installments:	Outstanding Balance	Installment
a Net shortfall amortization installment	12,003,532	2,497,041
b Waiver amortization installment	0	0

33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month ________ Day ________ Year ________) and the waived amount	33	0
34 Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)	34	3,337,041

	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement	0	3,337,041	3,337,041

36 Additional cash requirement (line 34 minus line 35)	36	0
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	0
38 Present value of excess contributions for current year (see instructions)		
a Total (excess, if any, of line 37 over line 36)	38a	0
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0
40 Unpaid minimum required contributions for all years	40	0

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)

41 If an election was made to use PRA 2010 funding relief for this plan:

a Schedule elected ☐ 2 plus 7 years ☐ 15 years

b Eligible plan year(s) for which the election in line 41a was made ☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011

42 Amount of acceleration adjustment	42	0
43 Excess installment acceleration amount to be carried over to future plan years	43	0

Schedule SB, Line 24 – Changes in Actuarial Assumptions

The PEP crediting rate has been updated to reflect current economic conditions as follows:

- 2016 plan year valuation: 2.95% for 2016; 3.35% for 2017-2021; 4.00% for 2022-2026; and 4.50% thereafter.
- 2017 plan year valuation: 2.35% for 2017; 3.20% for 2018-2022; 4.00% for 2023-2027; and 4.50% thereafter.

Schedule SB, Line 22 –
Description of Weighted Average Retirement Age

Plan Sponsor: Pearson Inc.

EIN: 51-0261654

Plan Number: 001

Plan Name: Pearson Inc. Pension Plan

The average retirement age for Line 22 was calculated by creating a hypothetical life table with retirement as the only decrement, and then computing the average retirement age for the table.

x	q_x^r	l_x	${}_{x-55}p_{55} = l_x / l_{55}$	$q_x^r * l_x / l_{55}$	$x * q_x * l_x / l_{55}$
50	0.00	1,000,000	1.000000	0.000000	0.000000
51	0.00	1,000,000	1.000000	0.000000	0.000000
52	0.00	1,000,000	1.000000	0.000000	0.000000
53	0.00	1,000,000	1.000000	0.000000	0.000000
54	0.00	1,000,000	1.000000	0.000000	0.000000
55	0.05	1,000,000	1.000000	0.050000	2.750000
56	0.02	950,000	0.950000	0.019000	1.064000
57	0.02	931,000	0.931000	0.018620	1.061340
58	0.03	912,380	0.912380	0.027371	1.587541
59	0.05	885,009	0.885009	0.044250	2.610775
60	0.05	840,758	0.840758	0.042038	2.522275
61	0.06	798,720	0.798720	0.047923	2.923316
62	0.20	750,797	0.750797	0.150159	9.309883
63	0.08	600,638	0.600638	0.048051	3.027214
64	0.30	552,587	0.552587	0.165776	10.609663
65	0.80	386,811	0.386811	0.309449	20.114153
66	0.80	77,362	0.077362	0.061890	4.084720
67	1.00	15,472	0.015472	0.015472	1.036653

Average age at retirement	62.701534
Rounded for Schedule SB, Line 22	63

Plan Name:	Pearson Inc. Pension Plan
EIN / PN:	51-0261654/001
Plan Sponsor:	Pearson, Inc.
Valuation Date:	January 1, 2017

Schedule SB, Line 32 – Schedule of Amortization Bases as of January 1, 2017

	Type of Base	Date Established	Remaining Amortization Period (Years)	Outstanding Balance	Amortization Payment
1	Shortfall	01/01/2017	7	5,227,442	858,409
2	Shortfall	01/01/2016	6	2,035,359	378,780
3	Shortfall	01/01/2015	5	756,216	163,816
4	Shortfall	01/01/2014	4	3,515,851	933,406
5	Shortfall	01/01/2013	3	468,664	162,630
Total				12,003,532	2,497,041

Plan Name:	Pearson Inc. Pension Plan
EIN / PN:	51-0261654/001
Plan Sponsor:	Pearson, Inc.
Valuation Date:	January 1, 2017

Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Plan Sponsor

Pearson Inc.

EIN/PN

51-0261654/001

Discount Rates

Current plan year PPA effective interest rate: 5.72%

Prior plan year PPA effective interest rate: 5.92%

3-Segment Rates for current plan year (reflecting stabilized interest rates): (4.16%, 5.72%, 6.48%)

3-Segment Rates for current plan year (not reflecting stabilized interest rates): (1.52%, 3.80%, 4.79%)

Applicable month: September

The basis chosen was selected by the plan sponsor from among choices prescribed by law, all of which are based on observed market data over certain periods of time.

Assumed Cost of Living Adjustments

None.

Inclusion Date

The valuation date coincident with or next following the date on which the employee becomes a participant.

Plan related Expenses

The 2017 plan related expenses are $840,000. Our understanding is that Pearson expects to pay PBGC Premiums from the trust. Other plan related expenses are not expected to be paid from the trust.

Mortality

For all participants: The prescribed mortality assumption under Section 430(h)(3)(A) of the Internal Revenue Code using static tables with separate mortality rates for annuitants and non-annuitants.

The mortality assumption used are as prescribed by IRC §430(h).

Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Retirement

For purposes of determining the Funding Target and Target Normal Cost (both disregarding at-risk assumptions), the rates at which participants retire by age and gender are shown below:

Age	Probability of Retirement
55	5%
56	2%
57	2%
58	3%
59	5%
60	5%
61	6%
62	20%
63	8%
64	30%
65	80%
66	80%
67	100%

Assumptions represent a best estimate of future experience with periodic monitoring of observed gains and losses caused by retirement patterns different from assumed.

Disability Rates (per 100 employees)

None.

Compensation Increases

Not applicable.

Future Increases in Social Security

Social Security benefits are assumed to increase in the future due to increases in the national average wage index of 2.50% per year, compounded annually, and due to increases in the cost of living of 1.50% per year, compounded annually.

Future Increases in Maximum Benefits

Accrued benefits projected to be paid in future years are limited to the maximum presently allowed under IRC §415. No provision is made for future increases in the maximum annual benefit.

Representative Termination Rates (per 100 employees) not Due to Disability, Retirement or Mortality

Age	Probability of Termination
25	13.6%
30	10.1%
35	7.9%
40	6.5%
45	5.5%
50	4.5%
55 and over	0.0%

The above rates represent the ultimate rate of the Select & Ultimate Table.

Assumptions represent a best estimate of future experience with periodic monitoring of observed gains and losses caused by termination patterns different from assumed.

Actuarial Increases

For terminated vested participants older than the normal retirement age at the valuation date, an age 65 accrued benefit with no actuarial increases is used. Many of these participants are unable to be located or are likely deceased offsetting any required actuarial increases.

Form of Payment

For valuation purposes, 100% of participants are assumed to elect a lump sum option at termination.

Lump Sum Conversion Rate

We have assumed a conversion rate equal to the valuation discount rate.

PEP Increase Crediting Rate

For purposes of increasing a participant's PEP balance for the current valuation, we have assumed an increase rate of 2.35% for 2017, which is equal to the September, 2016 30-year treasury rate. For calendar years 2018-2022, 3.20% was used. For calendar years 2023-2027, 4.00% was used. For calendar years thereafter, 4.50% was used.

Marriage

For purposes of valuing the pre-retirement surviving spouse's benefit, 80% of eligible participants are assumed to be married and male spouses are assumed to be 3 years older than female spouses.

Assumptions represent a best estimate of future experience with periodic monitoring of observed gains and losses caused by patterns different from assumed.

Employees

Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

It was assumed there will be no new or rehired employees.

Plan Compensation

Not applicable.

Asset Method

Under this method, the valuation assets are equal to the average of three values (all determined without regard to receivable contributions), the result increased by the discounted present value of contributions expected to be made after the valuation date based on the prior plan year PPA effective interest rate. This amount is then subject to a 10% corridor around the market value of assets (including the discounted present value of receivable contributions) as of the valuation date. The three values used to develop the average value are: the market value of assets as of the current valuation date, the adjusted market value of assets as of the prior valuation date and the adjusted market value of assets as of the second prior valuation date. The adjusted market value as of a relevant valuation date is equal to the market value of assets as of the prior valuation date increased by actual plan contributions and assumed return on plan assets and decreased by actual plan disbursements after that date until the current valuation date.

Participant Data

Employee data was supplied via e-mail as of the valuation date. Data on persons receiving benefits was also supplied via e-mail on a listing from the plan administrator.

Tax Policy

The actuarial valuation performed for the plan year ending December 31, 2017 is used to determine the maximum deductible contribution for the tax year ending December 31, 2017.

Benefits not Included in Valuation

None.

Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Changes in Assumptions and Methods Since Last Actuarial Valuation

- The discount rate assumption changed from the three-segment rates for the month of September 2015 to the three-segment rates for the month of September 2016. This reflects the stabilized segment rates under funding relief for the 2017 plan year.

- The PEP crediting rate has been updated to reflect current economic conditions as follows:
  - 2016 plan year valuation: 2.95% for 2016; 3.35% for 2017-2021; 4.00% for 2022-2026 4.50% thereafter.
  - 2017 plan year valuation: 2.35% for 2017; 3.20% for 2018-2022; 4.00% for 2023-2027 4.50% thereafter.

- The required mortality table used to calculate the funding target and target normal cost was updated to include an additional year of projected mortality improvements.

Schedule SB, Part V – Summary of Plan Provisions

Plan Sponsor

Pearson Inc.

EIN/PN

51-0261654/001

Plan Freeze

Effective December 31, 2001, except for participants described as “grandfathered participants” below, all benefit accruals under the plan were frozen. PEP balances, as described below, as of December 31, 2001 will earn an annual return of 5% or the rate of return under Section 417(e) of the Internal Revenue Code, if less than 5%.

The AGS benefits were frozen as of December 31, 2005 and benefits for former participants of the AGS plan are determined under the AGS plan’s provisions.

Effective December 31, 2014, additional benefits under the plan were frozen for all remaining active participants.

Plan Year

The twelve-month period ending December 31, 2017.

Coverage and Participation

An employee becomes a participant on the first day of April, July, October, or January, following the completion of 3 months of service, working at least 20 hours a week.

Vesting Service

The accrued benefit is payable unreduced at normal retirement date if termination of employment is after either (a) 3 or more years of vesting service, or (b) attainment of Normal Retirement Age.

Average Annual Compensation

Average annual compensation for the five highest consecutive calendar years out of the most recent ten calendar years.

Schedule SB, Part V – Summary of Plan Provisions

Normal Retirement Benefit

Normal Retirement Date: The first day of the month following attainment of age 65.

Former Addison Wesley Longman employees' Normal Retirement Date is the first day of the month when the participant attains age 65.

Retirement Benefit: A lump sum equal to the product of Average Annual Compensation and the Aggregate PEP percentages as determined by the formula below:

Attained Age on Date of Allocation	PEP Percentage
Under age 30	3%
30 - 39	4%
40 – 49	5%
50 – 59	6%
60 and over	8%

Grandfathered Benefit

For employees who participated in the Pearson Inc. Pension Plan before January 1, 1998 – If a participant is at least age 50 and has at least five years of benefit service as of December 31, 1997, then he will continue to earn benefits under the prior formula for up to five years. At the end of the five-year period (December 31, 2002) or, if earlier, the date of termination of employment, the final retirement benefit will be the greater of the benefit calculated under the PEP formula for all years of benefit service (but not past December 31, 2014) or the minimum benefit as of December 31, 2002.

Addison Wesley Longman Retirement Plan (Prior Plan) participants as of November 30, 1998 (prior to the merger with Simon & Schuster Education) – If a participant is at least age 45 and has at least ten years of benefit service as of November 30, 1998 then the final retirement benefit will be the greater of the benefit calculated under the PEP formula or the Prior Plan formula for all years of service (but not past December 31, 2014). Effective as of October 1, 2002, an AWL Participant who was employed by Harper Collins prior to April 1, 1996 and who was transferred to AWL as of April 1, 1996 will be deemed to satisfy the requirements of the prior sentence if he had attained age 45 and had at least ten years of vesting service as of November 30, 1998.

Simon & Schuster Education employees who became a participant in the Addison Wesley Longman Retirement Plan on November 30, 1998 – If a participant is at least age 45 and has at least ten years of vesting service, then the final retirement benefit will be the greater of the benefit calculated under the PEP formula for benefit service after November 30, 1998 or under the Addison Wesley Longman Retirement Plan formula for all years of service (but not past December 31, 2014) offset by the vested benefit under the Viacom Pension Plan as of November 30, 1998.

Employees who were actively working on January 1, 2000 and participated in the former Financial Times U.S. Retirement Plan ("FT Plan") shall be entitled to receive the larger of (a) a benefit based on the current plan formula or (b) a benefit based on the FT Plan formula (but not past December 31, 2014).

The above grandfathered benefit will be reduced by the actuarial equivalent value of Extra DC Contributions as of date of termination (December 31, 2002 for Pearson Inc., Interactive Data Corporation and Penguin Group Inc.; December 31, 2014 for other grandfathered participants).

The Extra DC Contributions are as follows: The accumulated value of company contributions in excess of 3% per year under the Pearson Retirement Plan, assuming the participant contributes at least 6% per year, for years beginning January 1, 2002. This amounts to 2.75% of pay plus the Additional Annual Contribution described below, based on age at December 31, 2001. The assumed rate of investment earnings on this balance is 7% per year.

The Additional Annual Contribution requires at least 10 years of service as of December 31, 2001 and depends on age as of that date as described in the following schedule:

Age at 12/31/2001	Additional Annual Contribution
39 and under	0.0% of pay
40-44	0.5% of pay
45-54	1.0% of pay
55 or more	1.5% of pay

Accrued Benefits

A PEP lump sum is increased by interest from date of termination to age 65. The annuity amount is equal to the actuarial equivalent value of the accumulated PEP balance at age 65. The interest rate is the lesser of 5% per year or the 30-year Treasury securities rate.

Early Retirement Date

The first day of any month prior to normal retirement date following attainment of age 55 and completion of 5 years of vesting service.

Disability Retirement

Participants continue to earn service for the period they are eligible for Long-term Disability benefits and have not elected to receive a pension benefit.

Death Benefits

If a participant dies while actively employed, the beneficiary is entitled to a survivor benefit at least as valuable as the PEP account balance at the time of death. If a participant dies after termination of employment, and is vested, the only death benefit is the qualified pre-retirement surviving spouse annuity.

Changes in Plan Provisions since Last Actuarial Valuation

None.

Schedule SB – Statement by Enrolled Actuary

Plan Sponsor

Pearson, Inc.

EIN/PN

51-0261654/001

Plan Name

Pearson Inc. Pension Plan

Enrolled Actuary

Joseph Gamzon

Enrollment Number

17-06924

The actuarial assumptions and methods, in combination, represent the enrolled actuary's best estimate of anticipated experience under the plan, subject to the following conditions:

The actuarial valuation, on which the information in this Schedule SB is based, has been prepared in reliance upon the employee and financial data furnished by the plan administrator and the trustee. The enrolled actuary has not made a rigorous check of the accuracy of this information but has accepted it after reviewing it and concluding it is reasonable in relation to similar information furnished in previous years. The amounts of contributions and dates paid shown in Line 18 of Schedule SB were listed in reliance on information provided by the plan administrator and/or trustee. The weighted average retirement age shown in Line 22 of Schedule SB was calculated by creating a hypothetical life table with retirement as the only decrement, and then computing the average retirement age for the table.

Schedule SB, Line 26 – Schedule of Active Participant Data

Attained Age	Attained Years of Credited Service and Number and Average PEP Balance													
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over	Total
Under 25														
25-29														
30-34	1													1
35-39	23	15	9	2										49
	$1,011													$12,045
40-44	61	36	31	52	8	6								194
	$1,585	$3,714	$4,308	$7,297										$39,049
45-49	32	34	46	91	10	23	1							237
	$2,653	$6,082	$8,457	$12,390		$22,107								$103,968
50-54	35	16	36	131	7	29	6	1						261
	$4,277		$11,906	$17,276		$33,219								$221,319
55-59	30	15	27	105		42	2	2	1					224
	$5,971		$14,282	$20,982		$37,614								$336,088
60-64	20	13	18	64	1	24	5	3	4	1	3	2	1	159
	$5,734			$19,686		$45,173								$496,479
65-69	9	5	6	19	1	5	0	1		4	1	2	3	56
														$246,903
70 & over	1		2	6		1		2	1	1			1	15

Plan Name: Pearson Inc. Pension Plan
EIN / PN: 51-0261654/001
Plan Sponsor: Pearson, Inc.
Valuation Date: January 1, 2017