

**THE PEARSON RETIREMENT PLAN**  
**Summary Plan Description**

**May 2016**

# THE PEARSON RETIREMENT PLAN

## Summary Plan Description

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## **Introduction**

This is a summary of The Pearson Retirement Plan (the Plan), a single employer plan sponsored by Pearson Inc. (the “Company”) for the benefit of its employees and employees of certain of its operating companies (and their beneficiaries). Such operating companies are referred to in this summary as Participating Employers. The purpose of the Plan is to encourage employees to participate in a retirement savings program to which the Company may also contribute. The Plan was originally established effective November 1, 1985 and has been amended from time to time.

This summary is known as a summary plan description (SPD). It is intended to give you a brief description of important provisions of the Plan. The actual provisions of the Plan are contained in a formal Plan document. If any conflict between this summary and the Plan document arises, the Plan document will govern.

The Company created the Plan to benefit its employees and fully intends to continue the Plan indefinitely. However, the Company, in its sole discretion, reserves the right to amend or terminate the Plan at any time.

## **Great-West Financial Retirement Plan Services**

Great-West Financial Retirement Plan Services, through its operating subsidiary Empower Retirement (“Empower”), is the recordkeeper for the Plan. To help manage your account, you can access many features of the Plan 24 hours a day, seven days a week through Empower’s website ([www.retireonline.com/pearson](http://www.retireonline.com/pearson)) or automated telephone system ((800) 345-2345). The automated telephone system also allows you to speak to a Participant Service Representative if you call between the hours of 8:00 AM and 9:00 PM Eastern Time (ET) on any business day the New York Stock Exchange (NYSE) is open. In addition, you can obtain information about your Plan account, request an account statement, obtain Plan forms, make changes to your contribution percentage and investment elections, as well as apply for a loan or withdrawal via the website or by speaking to a Participant Service Representative.

## **Joining the Plan**

### **Eligibility**

If you are regularly scheduled to work 20 or more hours per week for the Company or a Participating Employer at a U.S. or Puerto Rico location, you will be eligible to participate in the Plan as of your date of hire. If you are covered by a collective bargaining agreement, you are not eligible to participate in the Plan unless your collective bargaining agreement specifically provides for your participation.

If you are a temporary employee, leased employee, an independent contractor, a nonresident alien or an expatriate employee who is eligible to participate in a retirement plan maintained in your country of origin, you are not eligible to participate in the Plan. However, if your eligibility status changes, you will become eligible to participate in the Plan effective as of the pay period following such change.

If you are a part-time employee (i.e., in an eligible classification of employment working less

than 20 hours per week), in order to participate in the Plan you must complete 1,000 hours of service within a 12-month period of employment with the Company or a Participating Employer.

For this purpose, an hour of service includes all hours actually worked, plus most paid nonworking hours such as vacation and sick days. The first 12-month period will be measured from your date of hire. If you complete less than 1,000 hours of service in that 12-month period, you will be required to complete at least 1,000 hours of service in a Plan Year (January 1 – December 31) in order to participate in the Plan. Once you have completed 1,000 hours of service, you will become eligible to participate on the first January 1 or July 1 next following the date you satisfy this service requirement.

### **Qualified Military Service**

During a period of qualified military service, you will receive full credit for the hours you would otherwise have been scheduled to work. Qualified military service is any period of time for which you are absent for military service under leave granted by the Company or a Participating Employer or required by law, provided you return to employment while your right to re-employment is protected by law.

### **Eligibility Upon Rehire**

If you leave the Company while you are a participant in the Plan and are rehired within five years in an eligible employment classification, you will immediately become a participant on your return. You should contact the Pearson Employee Service Center at (877) 311-0948 if you have any questions concerning your eligibility to participate in the Plan or the calculation of your hours of service.

### **Automatic Enrollment**

To help you take advantage of the benefits of the Plan, **you will automatically be enrolled** in the Plan with a pre-tax contribution rate of 3% of pay. This means that 3% of your pay will be withheld from each paycheck and contributed to the Plan on your behalf. Unless you elect to opt out, automatic enrollment begins with the next administratively practical pay period following 30 days from your date of eligibility.

If you wish to contribute an amount other than 3% of your pay, or **if you do not wish to contribute at all**, you must make your election by contacting Empower online at [www.retireonline.com/pearson](http://www.retireonline.com/pearson) or by telephone at (800) 345-2345.

### **Beneficiary Designation**

Please note that you must make a beneficiary designation for your account, even if you elect not to contribute to the Plan. (This is because you may be eligible for a Company contribution regardless of whether or not you are contributing. See the Annual Company Contributions section of this SPD.) You can make your beneficiary designation(s) online at [www.retireonline.com/pearson](http://www.retireonline.com/pearson), or you can call Empower at (800) 345-2345 and request a paper form. If you do not make a beneficiary designation (or your designation is not received by Empower prior to your death), your beneficiary will be your surviving spouse, or if you do not

have a surviving spouse as of the date of your death, your surviving children, your surviving parents or, if none, your estate (in that order).

## **Automatic Increase**

In order to make saving for retirement easier for you, the Plan has an automatic increase feature. If you are automatically enrolled at the default level of 3% and make no further contribution changes, your contribution rate will automatically increase each year by 1% until you are contributing 6% of your eligible compensation. The automatic increases will occur each April, beginning one year after your first payroll deduction. You can opt out of the automatic increase feature at any time by contacting Empower online at [www.retireonline.com/pearson](http://www.retireonline.com/pearson) or by telephone at (800) 345-2345.

In addition, you can contact Empower anytime (at the website or address above) to enroll in or change the automatic increase feature. You also have the ability to choose the percentage by which your contributions will automatically increase as well as when you would like those increases to take place.

## **Participant Contributions**

### **Pre-tax Contributions**

You may contribute to the Plan from 1% to 50% of your pay (before federal and, in most cases, state and local income taxes) in whole percentages.

Although your pay is reduced for federal and most state and local income tax purposes, your pre-tax contributions to the Plan generally do not reduce your pay for determining benefits under other Company sponsored benefit plans, or for the purpose of paying Social Security taxes and determining Social Security benefits.

For Plan purposes, pay is your gross compensation for services rendered, including any amount that you have authorized the Company to deduct from your pay for purposes of making contributions to the Plan, a Section 125 cafeteria plan, or a qualified transportation fringe benefit program. Pay, however, does not include the following: income derived from stock options, stock awards and long-term incentive plans, gifts, special stay or retention bonuses, sign on bonuses, long-term disability payments, reimbursement of moving expenses, car allowances, housing allowances, office allowances, amounts that are not includible in your income for federal income tax purposes, income derived from any program of deferred compensation or additional benefits payable other than in cash, any compensation received before becoming a participant in the Plan and vacation pay that is paid after termination of employment.

In addition, under the federal tax laws, for 2016, pay in excess of \$265,000 may not be taken into account for Plan purposes. Federal tax law also limits the amount you can contribute from your pay on a pre-tax basis each year. For 2016, the limit is \$18,000. Both of these limits may be periodically adjusted by the IRS to reflect increases in the cost of living. In addition, contributions by certain higher-paid employees are subject to other limits under federal law. These limits could require you to reduce your contribution percentage or the total you have

contributed for the year. You will be informed if you are affected by these limits.

**NOTE:** If your pre-tax contributions under this Plan exceed any of the limits described above, the excess and any earnings will be returned to you, to the extent required by law. If in any year, you participated in another employer's 401(k) plan, and your total pre-tax contributions to both plans exceed the maximum IRS limit for that year, you may request that the excess and any earnings be returned to you from this Plan, provided that no refund will be made after April 15 following the year in which you made the excess pre-tax contributions.

### **Catch-Up Contributions**

If you are age 50 or older by the end of the Plan Year, you are eligible to make catch-up contributions (on a pre-tax basis) for the year. For 2016, the maximum catch-up contribution is \$6,000 (\$1,500 if you are a resident of Puerto Rico). These limits may be periodically adjusted to reflect increases in the cost of living. To elect catch-up contributions, contact Empower online at [www.retireonline.com/pearson](http://www.retireonline.com/pearson) or by telephone at (800) 345-2345. Any intended catch-up contributions will be treated as a regular pre-tax contribution, until your total pre-tax contributions for the year reach the maximum limit permitted under the Plan and federal tax laws. Catch-up contributions are not eligible for a Company match.

### **Rollover Contributions**

In addition to your pre-tax contributions and catch-up contributions, in certain circumstances you may elect to roll over assets from another tax-qualified retirement vehicle or individual retirement account into your account in this Plan. Contact Empower if you are interested in making a rollover contribution.

### **Retirement Savings Potential**

Traditionally, many people save on an after-tax basis. This means that any money they save has already been taxed. Under the Plan, however, you save on a pre-tax basis, which reduces your current income taxes. Social Security (FICA and Medicare) taxes continue to apply to your contributions to the Plan. Any earnings on amounts held in your account are not subject to federal, and in most cases state or local income, taxes until they are distributed to you from the Plan.

The following example illustrates the difference in spendable income that may be obtained by making pre-tax contributions.

	<u>Traditional Savings Method</u>	<u>The Pearson Retirement Plan</u>
	<b>After-tax</b>	<b>Pre-Tax</b>
Annual Pay	\$50,000	\$50,000
Pre-tax savings	0	-3,000
Adjusted gross pay	=50,000	=47,000
Federal & State taxes	-10,000	-9,400
Social Security taxes	-3,825	-3,825
Net pay	=36,175	=33,775
After-tax savings	-3,000	0
Spendable income	=33,175	=33,775
<b>Difference in spendable income</b>		<b>\$600</b>

This example assumes that you earn \$50,000 a year, save 6% of your pay and are in a 20% effective federal tax bracket. Taxes will be assessed when you receive a distribution from the Plan.

## **Company Contributions**

### **Matching Contributions**

When you make pre-tax contributions to the Plan, the Company may make discretionary matching contributions as well. The matching formula currently used is 100% of the first 3% of pay, plus 50% of the next 3% of pay you contribute to the Plan each pay period. Matching contributions on behalf of certain higher-paid employees are subject to limitations under federal law. These limitations could reduce the matching contribution you receive under the Plan. You will be informed if you are affected by these limits.

What does this matching contribution mean to you? Refer to the \$50,000 example under the section entitled Retirement Savings Potential. In that example, your pre-tax contribution of \$3,000 equals 6% of your annual pay. Matching contributions on that amount would add an additional \$2,250 to your account. While it is the Company's intention to make matching contributions each pay period, the Company reserves the right to reduce or eliminate matching contributions for any pay period or for any Plan Year.

Matching contributions are excluded from your income for Social Security (FICA and Medicare) and income tax purposes. Matching contributions (adjusted for investment gains and losses) will

be subject to income tax when distributed.

**NOTE:** If due to Plan limitations or limitations prescribed by law, you do not receive the full matching contribution for the Plan Year, you may be eligible to receive a supplemental matching contribution at the end of the Plan Year. This contribution is designed to ensure that you receive the full matching contribution for the Plan Year. You will normally be eligible to receive a supplemental matching contribution only if you are employed by the Company or a Participating Employer on the last day of the Plan Year. This requirement will be waived if you terminate employment during the Plan Year because of your permanent and total disability (as defined below under the section entitled Disability Benefits), death, or retirement on or after attaining age 65.

### **Basic Annual Company Contributions**

The Company, in its discretion, may make a basic annual contribution to the Plan. If made, this contribution will equal 1.25% of your pay. However, you must be employed by the Company on the last day of the Plan Year in order to receive this contribution. This requirement is waived if you terminate employment during the Plan Year because of your permanent and total disability (as defined below under the section entitled Disability Benefits), death, or retirement on or after attaining age 65. In addition, if you became a participant in the Plan in the middle of a Plan Year, your basic annual Company contribution for that Plan Year will be based only on the pay you receive after you became a Plan participant.

### **Age-Weighted Contributions**

The Company, in its discretion, may make an age-weighted contribution on behalf of eligible participants in the Pearson Inc. Pension Plan who were at least age 40 with 10 or more years of service as of December 31, 2001, have been continuously employed since that date, and are employed by the Company on the last day of the Plan Year (unless you terminate employment during the Plan Year because of your permanent and total disability, death or retirement on or after attaining age 65). If you are eligible and the contribution is made, your share of such age-weighted annual contribution will be determined by the following schedule:

<u>Employee's Age (as of 12/31/01)</u>	<u>Age-weighted Annual Contributions</u>
Less than 40	0
40-45	.50% of participant's pay
45-54	1.00% of participant's pay
55 or more	1.50% of participant's pay

## **Additional Discretionary Employer Contributions**

In addition to Matching, Basic Annual and Age-Weighted Contributions, the Company in its discretion may make additional contributions to the Plan on behalf of participants who are employed on the last day of the Plan Year (unless employment is terminated due to disability, death or retirement). If made, such additional contribution will be allocated pro-rata based on the ratio that an eligible participant's pay bears to the total pay of all eligible participants.

You do not have to make pre-tax contributions to receive basic annual Company contributions, age-weighted contributions or additional discretionary employer contributions. However, if you do not make any pre-tax contributions for a Plan Year, you will not receive any matching contributions for that Plan Year.

Note that under federal tax laws, for 2016 pay in excess of \$265,000 may not be taken into account when determining your share of any Company contributions. This pay limit is periodically adjusted by the IRS. For purposes of this contribution, pay means gross compensation (as defined on page 3) paid to you by the Company or a Participating Employer during the Plan Year.

While it is the Company's intention to make basic annual and age-weighted Company contributions each Plan Year, the Company reserves the right not to make or to change the amount of any such contributions for any Plan Year.

Company contributions are excluded from your income for Social Security (FICA and Medicare) and income tax purposes. Company contributions (adjusted for investment gains and losses) will be subject to income tax when distributed.

## **Contributions Following Periods of Qualified Military Service**

If you return to employment following a period of qualified military service, you will be permitted, in accordance with procedures prescribed by the Plan Administrator, to make additional pre-tax contributions and catch-up contributions, up to the amount that you would have been permitted to make if you had continued to be employed and received pay during the period of qualified military service.

Matching contributions and Company contributions on any make-up pre-tax contributions will also be made.

## **Managing Your Investments**

The Plan provides you with a range of investment options. You can direct the investment of your account in any of the available options in multiples of 1%. Different investment options may be offered from time to time and you will be informed in advance of any changes. If you do not direct the investment of your account, your account will be invested in the Plan's default investment option, which currently are the Target Date Funds offered under the Plan.

**NOTE:** The Plan is intended to constitute a Plan described in Section 404(c) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). Section 404(c) is a provision providing special rules for participant-directed plans, like this Plan, that permit participants to exercise control over the assets in their accounts. If a Plan complies with Section 404(c), the Plan's fiduciaries will not be liable for losses resulting directly from participant-directed investment allocations among the investment funds offered under the Plan. This means you are responsible for your investment decisions under the Plan. An ERISA Section 404(c) Notice and Policy Statement is attached to this SPD as Appendix A.

## **Flexibility**

### **Changing Contributions and Investments**

#### **Contributions**

You can change the amount you contribute to the Plan, or stop contributing altogether, at any time. Changes can be made online at [www.retireonline.com/pearson](http://www.retireonline.com/pearson) or by telephone at 800-345-2345, and will be effective as soon as administratively possible thereafter.

#### **Investments**

You can change your investment election for future contributions allocated to your account, and/or your investment election for your existing account balance, through Empower's website or by telephone. Investment election changes made and confirmed before 4:00 PM ET any NYSE business day will generally be effective as of the close of that day. A change confirmed at or after 4:00 PM ET, or on weekends or holidays, will generally be effective as of the close of the next NYSE business day. In the event the NYSE closes prior to 4:00 PM ET on any business day, a change made and confirmed before the time the NYSE closes will generally be effective as of the close of that day. A change made or confirmed at or after such closing time will generally be effective as of the close of the next NYSE business day. In the event an investment option does not have sufficient liquidity to meet same day redemption requests, your change will be effective as soon as administratively possible thereafter. You will receive a confirmation for each change you make in your contribution percentage and/or your investment election which you make. You will receive separate confirmations if you change your investment election with respect to both future contributions and your existing account balance. A confirmation statement will generally be sent within two business days of your transaction. If you do not receive a confirmation within seven business days, please call Empower and speak with a Customer Service Representative.

### **Accessing Your Account**

Since the primary purpose of the Plan is to encourage long-term retirement savings, distribution of your vested account generally cannot be made before your retirement or other termination of employment. However, while you remain employed by the Company or a Participating Employer, you may borrow from your vested account and under certain circumstances, withdraw money. Please note that loans and withdrawals under the Plan may be subject to limitations, in addition to those described below, established by the Plan Administrator in order to anticipate

changes in the value of your account due to market fluctuations.

## **Loans**

The Plan allows you to borrow against the value of your vested account balance, and the interest you pay on your loan goes back into your own Plan account. You can model your repayment schedule and apply for a loan through Empower's website ([www.retireonline.com/pearson](http://www.retireonline.com/pearson)) or by telephone at (800) 345-2345. A one-time loan setup fee of \$50 will be deducted from your account each time you initiate a Plan loan.

You may only have two loans outstanding at any time and you cannot initiate more than four loans in a calendar year. The interest rate is fixed and will be equal to the prime rate of interest plus one percent. The minimum amount you can borrow is \$1,000. According to federal law, the maximum loan amount available to you will be determined by your vested account balance. You may borrow up to (i) 50% of your vested account balance or (ii) \$50,000, whichever is less. The \$50,000 maximum is reduced by your highest outstanding loan balance during the previous 12-month period.

Loans must be repaid through payroll deductions over a period of not more than five years. However, if you're using the loan to purchase your principal residence, the loan can be extended beyond five years up to a maximum of ten years. Loans may be prepaid in full at any time without penalty. Failure to repay a loan in accordance with its terms will constitute default. If you default on your Plan loan you will be considered to be in taxable receipt of your unpaid loan balance. As a result, you will have to pay income taxes on the amount of your unpaid loan and, if you are under age 59½, an additional 10% penalty tax may also apply. You should contact Empower for additional information regarding the treatment of loans in default.

If you are on an authorized leave of absence without pay or with a rate of pay that is less than your required loan repayment amount, your loan repayment may be suspended for a period equal to the lesser of one year or the duration of the leave of absence. In the event of certain military service, your loan may be suspended for a longer period of time.

If you stop working for the Company before your loan is repaid, your outstanding loan balance will immediately become due and payable, subject to the grace period as set forth in your loan agreement and promissory note. You will have the opportunity to repay your loan during the grace period, but if you fail to do so, the outstanding loan balance will automatically be deducted from your vested account balance and treated as taxable income to you. If you are under age 59½, an additional 10% penalty tax may also apply.

If you request a distribution from the Plan prior to the end of the grace period and prior to repaying your loan, your outstanding balance will be deducted from your account before it is distributed to you.

## **Hardship Withdrawals**

Under the Plan, you are generally permitted to make a withdrawal from your vested account if, as determined by the Plan Administrator, you experience a financial hardship as a result of any of the following:

- purchase of your principal residence (excluding mortgage payments);
- payment of certain unreimbursed medical expenses incurred by you, your spouse, your dependents or your designated beneficiary, or to permit you, your spouse, your dependents or your designated beneficiary to obtain certain medical care;
- payment of tuition and related educational expenses (as defined under federal law) for the next 12 months of post-secondary education (for example, college, graduate school and/or equivalent courses) for you, your spouse, your dependents or your designated beneficiary;
- payment to prevent eviction from your principal residence or foreclosure on the mortgage of your principal residence;
- payment for burial or funeral expenses for your deceased parent, your spouse, your child, your dependent or your designated beneficiary; or
- Payment of expenses for the repair of damage to your principal residence that would qualify for a tax deduction on your federal income tax return.

Withdrawals will occur in the following order: any rollover contributions you may have made to the Plan (including any investment earnings); any vested Company matching contributions (including any investment earnings), basic annual contributions, age-weighted contributions and additional contributions allocated to your account (including any investment earnings) and your pre-tax contributions and/or catch-up contributions (not including any investment earnings received after December 31, 1988).

Generally, the amount you withdraw may not exceed the amount needed to meet your financial hardship except, if you elect, you may increase the amount withdrawn to pay any applicable taxes on the withdrawal. Any amount withdrawn will be taken on a pro rata basis from each investment option in which your account is invested. In reviewing your request for a hardship withdrawal, consideration will be given to the nature of your financial need, the documentation you provide, and whether or not you have exhausted all other financial resources available to you, including a Plan loan or other withdrawal from the Plan. In other words, you will have to prove a financial hardship and that you (and your spouse and dependents) have no other monies immediately available to meet that hardship.

Your hardship withdrawal will be subject to the applicable federal income tax withholding rules. In addition, if you are under age 59½, an additional 10% tax may apply. You may obtain a hardship withdrawal form through Empower's website or automated phone system. You should consult your tax advisor for more information.

If you take a hardship withdrawal, you may not make any pre-tax contributions to the Plan for six months from the date of your hardship withdrawal.

## **Other In-Service Withdrawals**

### **Age 59½ Withdrawals**

If you have attained age 59½, you may elect to withdraw all or any portion of your vested account balance while still actively employed, subject to such rules and procedures as may be established by the Plan Administrator. The money you withdraw may be subject to mandatory 20% federal income tax withholding and state and local tax withholding, if applicable. It will not, however, be subject to the 10% penalty tax. You may obtain an age 59½ withdrawal form by contacting Empower's website or by telephone. You should consult your personal tax advisor for more information on the tax consequences of a withdrawal.

### **Disability**

If you have incurred a permanent and total disability and have not terminated employment, you may elect to withdraw all or any portion of your vested account balance, subject to such rules and procedures as may be established by the Plan Administrator. The money you withdraw may be subject to mandatory 20% federal income tax withholding and state and local tax withholding, if applicable. It will not, however, be subject to the 10% penalty tax. You may obtain a disability withdrawal form by contacting Empower's website or by telephone. You should consult your personal tax advisor for more information on the tax consequences of a withdrawal.

### **Withdrawals of Rollover Contributions**

You may withdraw all or any portion of your account attributable to any rollover contributions you may have made to the Plan, subject to such rules and procedures as may be established by the Plan Administrator. The money you withdraw may be subject to mandatory 20% federal income tax withholding and state and local tax withholding, if applicable. If you are under age 59½, an additional 10% penalty tax may apply. You may obtain a rollover contribution withdrawal form by contacting Empower's website or by telephone. You should consult your personal tax advisor for more information on the tax consequences of a withdrawal.

### **Qualified Reservist Distributions**

If you are ordered or called to active military duty for a period of 180 days or more, you may withdraw all or any portion of your account attributable to your pre-tax contributions without incurring an additional 10% penalty tax. You should consult your personal tax advisor for more information on the tax consequences of a withdrawal.

### **Vesting**

You are always fully (100%) vested in your pre-tax contribution account and, if applicable, your catch-up contribution and rollover contribution accounts. This means that you have a nonforfeitable right to the total value of these accounts.

In addition, you will be 100% vested in any amounts transferred to the Plan in connection with a

plan merger, unless you are advised otherwise.

The extent to which you are vested in any Company contributions (adjusted for investment gains and losses) allocated to your account depends on your years of vesting service based on the following schedule:

<u>Years of Vesting Service</u>	<u>Vested Percentage</u>
Less than 1 year	0%
1 year but less than 2 years	33 1/3%
2 years but less than 3 years	66 2/3%
3 years or more	100%

You will be credited with a year of vesting service for each 12-month period (as measured from your date of hire and any anniversary of that date) during which you are employed by the Company (or any operating company). If you terminate employment and return to work within one year, you will be considered to have remained an employee for that period and will receive vesting service for the time that elapsed between your date of termination and the date you are rehired. If you terminate employment during a period of absence of 12 months or less, however, your period of absence will only be counted as years of vesting service if you return to work within one year of your first day of absence.

Should you transfer from one Participating Employer to another, you will retain your vested status under the Plan. You may also earn service credit during an approved leave of absence or under a prior plan in the event of such prior plan's merger with and into the Plan. If you terminate employment before completing one year of vesting service (that is, before you are partially vested in any Company contributions allocated to your account), and you incur five consecutive one-year breaks in service before returning to employment, your prior vesting service will be disregarded.

If you are re-hired prior to incurring five consecutive one-year breaks in service (and prior to receiving a distribution of your account), any nonvested portion of your account will be restored. In general, if you terminate employment after you have become at least partially vested in any Company contributions allocated to your account and are re-hired prior to incurring five consecutive one-year breaks in service (but after you have received a distribution of the vested portion of your account), the nonvested portion of your account will be restored if you repay to the Plan an amount equal to the amount previously distributed to you.

For this purpose, you will be considered to have incurred a one-year break in service if you do not complete at least one hour of service in any 12-month period. Thus, in order to have five consecutive breaks in service, you must be away from the Company for five years from the date you terminated employment. However, if you are on an un-paid leave of absence approved by the Company for less than 12 months, or if you are absent from work for maternity, paternity or for military service reasons, your period of absence may not constitute a break in service. Instead, you will be credited with 501 hours of service during such absence. You should contact the Pearson Employee Service Center at (877) 311-0948 if you have any questions concerning

the calculation of your years of vesting service.

Certain other vesting schedules may apply to your account if any portion of your account consists of amounts transferred to the Plan from the Putnam Berkeley Group Inc. Profit Sharing Retirement Plan, the Dorling Kindersley Publishing Inc. Retirement Savings Plan, the NCS Pearson, Inc. 401(k) Employees' Savings Plan, or the LessonLab, Inc. 401(k) Plan. Contact Empower if you believe that one of these situations applies to you.

If you terminate employment with the Company or a related company on or after attaining age 65, or as a result of your total and permanent disability, or your death, you will be 100% vested in the value of any Company contributions allocated to your account regardless of your years of vesting service under the Plan.

## **Leaving the Company**

### **Forfeiture of Nonvested Amounts**

If you leave the Company or a related company before you are 100% vested in your Plan account, the nonvested portion of your account will be forfeited and either used to pay Plan expenses or applied to future Company contributions.

### **Distributions and Taxation**

You may elect distribution of your vested account at any time following your termination of employment. Distribution will normally be made in a single lump sum payment as soon as administratively possible following the date you elect to receive a distribution. You may obtain a distribution election form through the Empower website or automated phone system.

If your total account balance is \$1,000 or less and you do not elect a distribution, an automatic distribution will be made to you. If your total account balance is more than \$1,000 but less than \$5,000 and you do not elect a distribution, your account balance will be transferred into an automatic rollover IRA. If your vested account exceeds \$5,000, you may elect to defer your distribution. For more information, see the Direct Rollovers and Automatic Rollovers sections below.

**NOTE:** Once you terminate employment, the Plan requires that distribution of your account must generally commence no later than the April 1 following the year you turn age 70½ . Whenever you receive your distribution from the Plan, it will normally be subject to income taxes. Your distribution may be subject to mandatory 20% federal income tax withholding and may also be subject to any applicable state and local income tax withholding. If you are younger than age 59½ when you receive your distribution, any amount you receive may be subject to an additional 10% penalty tax that is added to any applicable federal, state and local income taxes. The tax is subject to certain exceptions, primarily distributions on account of death, disability, termination of employment in any year that you are at least age 55, and distributions used to pay deductible medical expenses.

You will be provided with general information concerning the tax consequences of your distribution when you apply for benefits under the Plan. However, in all cases you are advised to

consult with your personal tax advisor.

## **Death Benefit**

If you die while employed by the Company, your designated beneficiary will be entitled to receive the full value of your account. If you die after terminating employment, but before distribution of your vested account has been made or commenced, only the vested balance of your account will be paid to your beneficiary.

You may choose anyone to be your beneficiary under the Plan. You may designate primary and contingent beneficiaries. You may also name multiple persons as beneficiaries and designate the percentage of your account that each will receive. You make your designation online at [www.retireonline.com/pearson](http://www.retireonline.com/pearson) or by calling Empower at (800) 345-2345 to request a paper form. However, under federal law, if you are married and wish to name someone other than your spouse as your beneficiary, you may do so only with your spouse's written and notarized consent. If you fail to designate a beneficiary, or if your designated beneficiary dies before you do, the Plan provides that your beneficiary will automatically be your surviving spouse, or, if you do not have a surviving spouse as of the date of your death, your surviving children, your surviving parents, or, if none, your estate (in that order).

Distribution of any death benefit will normally be made in a single lump sum payment as soon as administratively possible following your death.

## **Disability Benefit**

If you terminate employment with the Company as a result of your permanent and total disability, you will also be entitled to receive the full value of your Plan account, regardless of your years of vesting service under the Plan. For this purpose, you will be considered permanently and totally disabled if you qualify for benefits under your employer's long-term disability plan. However, if you do not participate in an employer-sponsored long-term disability plan, you will be considered permanently and totally disabled if you are entitled to disability benefits from the Social Security Administration. Receipt of a Social Security Disability Pension will be proof of your permanent and total disability.

If you are under the age of 59½ and are disabled, your distribution may qualify for exclusion from the additional 10% penalty tax previously described.

## **Direct Rollovers**

By contacting JPMorgan, you may request that all or part of any taxable distribution you receive from the Plan, other than a required minimum distribution or a hardship withdrawal, be rolled over directly from the Trustee to the trustee or custodian of an eligible retirement plan. In addition, if you are the beneficiary of a deceased participant, you may also request rollover treatment for any eligible rollover distribution to which you may be entitled. For this purpose, an eligible retirement plan includes an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code (other than an endowment contract), an annuity plan described in section 403(a) of the Code, a retirement plan

qualified under section 401(a) of the Code that accepts rollover contributions, an eligible deferred compensation plan described in section 457 of the Code, or an annuity contract described in section 403(b) of the Code. Empower will notify you if any amount to be distributed to you is an eligible rollover distribution for which a direct rollover election is available.

You can either elect to have the money directly rolled into an eligible retirement plan, as described above, or after you receive a distribution from the Plan, you can roll over some or all of the amount of the distribution to an eligible retirement plan within 60 days of receipt. If you do not elect a direct rollover, mandatory 20% withholding for federal income taxes will apply.

A rollover will defer payment of income tax on your distribution. Mandatory tax withholding rules apply to any portion of an eligible rollover distribution that is not directly rolled over.

### **Automatic Rollovers**

If, when you terminate employment, your total account is more than \$1,000 but not more than \$5,000 (excluding the portion of your account consisting of rollover contributions, and related earnings), and you have not elected to receive the distribution in cash or have it rolled over directly to an IRA or another employer's retirement plan within 90 days, your account will be rolled over automatically to an automatic rollover IRA.

An automatic rollover IRA is a traditional individual retirement account established on your behalf by the Plan Administrator through a designated IRA custodian. The rolled-over funds will be invested in an investment product designed to maintain, over time, the initial dollar amount rolled over and provide a reasonable rate of return and liquidity. Maintenance fees and expenses charged by the IRA custodian will be charged to your IRA. If you need further information about automatic rollover IRAs, the designated IRA custodian or the fees relating to automatic rollover IRAs, you may contact Empower at [www.retireonline.com/pearson](http://www.retireonline.com/pearson) or by telephone at (800) 345-2345.

### **Effect on Other Benefits**

Your contributions to the Plan will not affect other salary-related benefits, such as life insurance and disability benefits. Also, making contributions will not change the amount of your Social Security benefits or the Social Security taxes that are withheld from your pay.

## **Other Important Facts**

Name of Plan: The Pearson Retirement Plan

Employer / Plan Sponsor: Pearson Inc.  
330 Hudson Street  
New York, NY 10013  
Phone: (212) 641-2400

Employer Identification Number: 51-0261654

Plan Number: 002

Plan Administrator: The Administrative Committee for the Benefit Plans of Pearson Inc. The Plan Administrator can be contacted at the following address and telephone number:

The Administrative Committee for the Benefit Plans of Pearson Inc.  
Pearson Inc.  
330 Hudson Street  
New York, NY 10013  
Phone: (212) 641-2400

Agent for the Service of Legal Process: The Plan Administrator. Service of legal process may also be made on the Plan Trustee.

Plan Trustee: Great-West Trust Company, LLC Bank is the Trustee of the Plan. The Trustee can be contacted at the following address:

8515 East Orchard Road  
Greenwood Village, CO 80111

Plan Year: The Plan Year begins each January 1 and ends each December 31.

Type of Plan: The Plan is a defined contribution plan incorporating a cash or deferred arrangement under section 401(k) of the Code, catch-up contributions under section 414(v) of the Code, discretionary matching contributions under section 401(m) of the Code and discretionary annual contributions under section 401(a) of the Code.

Type of Administration: Contract Administration. Records of the Plan are maintained by a third party administrator, Great-West Financial Retirement Plan Services, on a calendar year basis with December 31 as the year end.

You should also be aware that the Pension Benefit Guaranty Corporation, a federal agency that insures defined benefit plans, does not insure defined contribution plans, such as the Plan. The government has exempted this type of plan from such insurance because all contributions go directly to your account and you will be 100% vested in your account if the Plan is ever terminated.

## **Statements of Your Account**

To help you keep up-to-date on the status of your Plan account, statements will be provided at the end of each calendar quarter showing:

- the amount you contributed to the Plan;
- the amount the Company contributed to the Plan on your behalf;
- the investment options you have selected;
- the earnings and/or losses on your investments;
- the current value of your account (including any transfers or rollover contributions); and
- withdrawals or loans, if any.

Your quarterly statements will be available at [www.retireonline.com/pearson](http://www.retireonline.com/pearson) or you can elect to have them mailed to you at home by contacting Empower. You can request a statement at any time via the website or by telephone.

## **Your ERISA Rights**

As a participant in the Plan, you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan participants are entitled to:

### **Receive Information About Your Plan and Benefits**

- examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (IRS Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (IRS Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.
- receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.
- obtain a statement telling you (i) the amounts credited to your account under the Plan and (ii) what your benefits would be under the Plan if you stop working as of that statement date. This statement must be requested in writing and is not required to be given more than once a year. The Plan must provide the statement free of charge.

## **Prudent Actions by Plan Fiduciaries**

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, called fiduciaries of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit under the Plan or exercising your rights under ERISA.

## **Enforce Your Rights**

If your claim for a benefit is denied or ignored, in whole or in part, you have the right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

## **Assistance With Your Questions**

If you have any questions about the Plan, you should contact Empower. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

## **Claim for Benefits**

### **Application for Benefits**

If you disagree with any determination with regard to your benefits under the Plan, you must file any claim seeking relief in writing. Before filing your claim, you or your legal representative may wish to examine Plan records regarding your claim. This examination may occur only during the Company's regular working hours.

## Claims Procedure

The Plan Administrator will advise you of any benefits to which you are entitled under the Plan. If you believe that the Plan Administrator has failed to advise you or to pay any benefit to which you are entitled, you may file a written claim with the Plan Administrator. The Plan Administrator will respond to your claim within a reasonable amount of time. If you are denied a claim for benefits, in whole or in part, the Plan Administrator will provide you with written notice of the denial within 90 days of the date your claim is received by the Plan Administrator unless special circumstances require an extension of time for processing. In that case, a decision will be rendered as soon as possible, but not later than 180 days after receipt of your claim, and you will be notified of the reason for the delay within the original 90-day period. If your claim is denied, the Plan Administrator will provide you with written or electronic notice setting forth in understandable terms:

- the specific reason or reasons for the denial;
- specific reference to the Plan provisions on which the denial is based;
- a description of any additional material needed so that a benefit may be paid and an explanation of why such material or information is necessary; and
- an explanation of the claims review procedure under the Plan and the time limits applicable to the claims review procedure, including a statement of your right to bring a civil action in federal court under section 502(a) of ERISA following denial of your claim under this claims review procedure.

You will also be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Within 90 days of the date notice denying a claim is mailed to you, you or your duly authorized representative may request (in writing) a full review of the claim by the Plan Administrator. In connection with such review, you or your duly authorized representative may review relevant documents and may submit issues and comments in writing. The Plan Administrator will make a decision promptly, and not later than 60 days after receipt of the request for review, unless special circumstances (such as the need to hold a hearing, if appropriate) require an extension of time for processing. In that case, a decision will be rendered as soon as possible, but not later than 120 days after receipt of the request for review.

The decision on review will include a written statement that will include:

- the specific reason or reasons for the denial;
- specific reference to the Plan provisions on which the denial is based;
- a description of your right to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to

your claim for benefits;

- a description of any voluntary appeal procedure offered by the Plan; and
- a statement of your right to bring a civil action in federal court under section 502(a) of ERISA.

Appeals not timely filed will be barred. The Plan Administrator's decision on review will be final and binding on all parties.

## **Some Commonly Asked Questions About the Plan**

### **How will my participation in the Plan affect my IRA?**

According to current federal tax laws, you can continue to maintain IRAs while you are participating in the Plan, and you can make after-tax contributions to your IRA in amounts permitted by the federal tax laws. But your ability to make tax-deductible contributions to an IRA for any year in which you participate in the Plan is restricted according to your income level. See the instructions to IRS Form 1040 or contact your personal tax advisor for more information.

### **What happens if the Plan is amended or terminated?**

The Company reserves the right to amend the Plan or to terminate it at any time. However, no amendment can reduce the amount in your account. If the Plan terminates, your account will become 100% vested, that is, nonforfeitable. The Plan is for the exclusive benefit of its participants and, therefore, money in participant accounts cannot go back to the Company because of the Plan's termination.

Upon termination of the Plan, the Company will generally liquidate assets and distribute the value of your account to you (subject to IRS requirements).

### **Is there any way I can lose Plan benefits?**

Yes, there are a few ways in which you could lose expected benefits:

If investments go down in value: The value of your account depends on the performance of your investments under the Plan. Your account balance is subject to both gain and loss due to investment results. If you receive a distribution at a time when the value of your investments has declined, you may not receive a distribution as large as you had hoped.

If a Qualified Domestic Relations Order is received: In general, your account cannot be attached or paid to creditors or to anyone other than yourself. However, under federal law, the Plan Administrator is required to act in accordance with a qualified domestic relations Order (“QDRO”). A QDRO is a decree or order issued by a court pursuant to a state’s domestic relations law that satisfies certain requirements under the Code. A QDRO may require that all or a portion of your account be paid to your spouse, former spouse, child or other dependent. The Plan Administrator, in accordance with procedures established by it, will determine the validity of any order received and will inform you upon the receipt of any such order affecting you. You may obtain a copy of such procedures, without charge, from the Plan Administrator.

IMPORTANT NOTICE RE  
ERISA SECTION 404(c)

The Pearson Retirement Plan (the “Plan”) is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). ERISA provides rules regarding the legal responsibilities and liabilities of certain persons who are “fiduciaries” with respect to the management and operation of employee benefit plans such as the Plan. ERISA also describes those who will be regarded as fiduciaries and what they may or may not do in their dealings with any such plan or its assets. Generally, plan fiduciaries include the employer sponsor of the plan, Pearson Inc. (“Pearson”) and the fiduciary committees appointed by Pearson. Section 404(c) of ERISA provides in general that if a plan, such as the Plan, permits a participant to exercise control over the assets in his or her account, persons who are otherwise fiduciaries will not be liable for any loss which is the direct and necessary result of the participant's exercise of such control.

The Plan is intended to meet the requirements of Section 404(c) of ERISA. The Investment Committee for the Benefit Plans of Pearson Inc. (the “Investment Committee”) is responsible for selecting the menu of investment fund options offered under the Plan. However, you will be responsible for the allocation of your Plan account among the investment options offered under the Plan. The investment decisions made by you in selecting among the investment options will have a direct impact on the value of your account available to you at retirement. Your Plan account statements (which are issued four times a year) will show your Plan account value, the amount of your investment in each elected option, as well as performance information for all investment options.

All investing involves risk. There are inherent tradeoffs between risk and reward which you must judge for yourself. The investment options offered under the Plan provide you with alternatives among which you should find those appropriate to your own individual financial needs and risk tolerance comfort levels.

You should carefully weigh your own circumstances in light of the investment objectives and risk and return characteristics of each of the investment options described in the individual prospectus provided for each investment option before making new elections or making later changes in your investment elections. The value of amounts allocated to the investment funds will increase or decrease based on increases and decreases in the net asset value of the investment funds. As a participant, you have access to all investment options. Transfers of existing amounts in your account and changes in investment allocations for your future contributions among the investment funds may be made on a daily basis by contacting Empower online at [www.retireonline.com/pearson](http://www.retireonline.com/pearson) or by telephone at (800) 345-2345.

Additional information, including financial statements, reports and any other information furnished to the Plan with respect to a particular investment option, an up-to-date list of the

assets held in each investment option and their value, the unit value of units of the individual funds, and fund expenses are available by contacting Empower.

Currently, Pearson pays the administrative costs and expenses of the Plan and its related trust, including trustee expenses. There are no expenses or transaction costs assessed against your account (other than in conjunction with Plan loans). Please refer to the fee table in the individual prospectuses for the investment options and the annual disclosure of Plan-related information for the various costs and expenses associated with the investment options available under the Plan.

For more information about your investment options, please consult the investment fund prospectuses which are available online at [www.retireonline.com/pearson](http://www.retireonline.com/pearson) or by calling Empower at (800) 345-2345.