EMPLOYEE BENEFIT ISSUES

The Impact of Pension Benefits on the Distribution of Earned Income, by Mary Ellen Benedict and Kathryn Shaw

Using standard measures of income inequality and detailed pension benefit information on participants in the 1983 Survey of Consumer Finances, how pension benefits affected the distribution of earned income is investigated. The results suggest that private pensions increased annual income inequality (relative to inequality observed in the distribution of wage income) by only about 2 percent among all employed individuals, but by 21 percent among unionized workers. Further analysis indicates that private pensions raised annual income inequality primarily by increasing the rate of return to tenure, possibly through pension "backloading" (setting accruals to grow when earnings rise near retirement) and the increasing incidence of pensions with age. Private pensions had little effect on estimates of the distribution of expected life income, but the addition to the analysis of social security benefits (public pensions) strongly reduced inequality in that distribution. *Industrial & Labor Relations Review,* July 1995, 48(4): 740–757. (Reprinted with permission of ABI/Inform, copyright UMI.)

PENSION ISSUES

Differential Tax Benefits and the Pension Reversion Decision, by Greg Clinch (University of New South Wales, Kensington, Australia) and Toshi Shibano (University of Chicago)

We document that tax considerations influence whether and when a firm withdraws excess assets in its defined benefit pension plan through a reversion. Since a reversion impacts taxable income over many years and alternative measures exist, we argue that the economically relevant tax-based decision criterion is its "differential tax benefit," defined as the difference between the discounted tax savings of reversion versus those of the best alternative withdrawal method. We develop a technique for directly estimating this decision criterion and document that differential tax benefits are strongly correlated with the reversion decision and its timing. *Journal of Accounting and Economics*, February 1996, 21(1): 69–106. (Reprinted with permission of North-Holland Publishing Company.)

INSURANCE MANAGEMENT

Taxation, Regulation, and the Organizational Structure of Property-Casualty Insurers, by Kathy R. Petroni (Michigan State University) and Douglas A. Shackleford (University of North Carolina)

This study investigates the effects of state taxes and regulation on an organizational structure decision for expanding property-casualty insurers (subsidiary ver-