PHILIP PROCTOR
(Appellant)

v.

SAPPI NORTH AMERICA, INC.
(Appellee/Self-Insured)

Argued: September 23, 2025
Decided: February 25, 2026

Panel Members: Administrative Law Judges Chabot, Sands, and Smith
By: Administrative Law Judge Sands

[¶1] Philip Proctor appeals from a decision of a Workers' Compensation Board administrative law judge (*Stovall, ALJ*) denying, in part, his Petition for Penalties. Through his Petition, Mr. Proctor sought to establish that Sappi North America, Inc., violated the Workers' Compensation Act by taking an offset for pension benefits distributed by Sappi and subsequently placed by Mr. Proctor into an Individual Retirement Account (IRA). *See* 39-A M.R.S.A. § 221.[1] The ALJ determined that Sappi is entitled to take the offset and declined to impose penalties beyond those associated with late payments under 39-A M.R.S.A. § 205(3). We find no error and affirm the decision.

[1] Because this appeal pertains to whether Sappi has a right under section 221 of the Workers' Compensation Act to take an offset for pension benefits paid, and does not address the imposition or denial of penalties, the Appellate Division, rather than the Superior Court, has jurisdiction to entertain this appeal. *See* 39-A M.R.S.A §§ 318, 32-B, and 360.

I. BACKGROUND

[¶2] Mr. Proctor sustained a left-hand crush injury on April 28, 2010, while working for Sappi. Ultimately, he was unable to return to work, and Sappi has voluntarily paid him indemnity benefits since.

[¶3] Through his employment at Sappi, Mr. Proctor participated in a defined benefit pension plan. Pursuant to the plan's terms, benefits must be distributed when individuals no longer employed by Sappi reach age 65. Notice is sent to those individuals in advance with three options for distribution. The default distribution, per the plan, is a taxable life annuity paid out periodically.

[¶4] When Mr. Proctor turned 65 in January of 2022, he received notification from Sappi of the three pension distribution choices available to him. He testified that he did not wish to receive any distributions at that time, and he did not reply to the notice. Sappi continued paying Mr. Proctor workers' compensation benefits until March 2023, when it unilaterally discontinued those benefits, explaining that it was taking a holiday due to an offset for retroactive pension benefits[2] pursuant to 39-A M.R.S.A § 221(3)(A)(5), which authorizes a reduction of an employer's obligation to pay workers' compensation benefits by the after-tax amount of the pension or retirement payments received or being received by the employee" pursuant to an

[2] Sappi continued to take the holiday until February 25, 2024. Since then, Mr. Proctor has received $423.23 per week which reflects his total compensation rate reduced by the after-tax amount of the monthly pension distributions.

employer-maintained pension program. Sappi asserted that it was entitled to take the offset retroactive to February 2022, the month after Mr. Proctor turned 65.

[¶5] Mr. Proctor informed Sappi that he did not wish to receive pension benefits at this time. Sappi responded that pursuant to the terms of the plan, there was no option to refuse the pension benefits. Sappi thus sent two checks totaling approximately $21,000.00 for retroactive pension benefits and continues to send pension checks monthly.

[¶6] Mr. Proctor testified that he cashed some of the pension checks and spent some of the funds to cover necessary expenses because his workers' compensation benefits had been discontinued months earlier. However, he placed most of the funds into an IRA, where they remain. Thereafter, Mr. Proctor filed a Petition for Penalties, contending that Sappi failed to timely provide his workers' compensation benefits.

[¶7] Because the pension benefits were used to fund an IRA, Mr. Proctor argued that he has yet to "receive" the pension funds, and thus, the offset provision in section 221 has not been triggered. *See Jordan v. Sears Roebuck and Co*., 651 A.2d 358 (Me. 1994). He also argued that the offset is unlawful because Sappi effectively compelled him to take his pension benefits prematurely, forcing an early retirement.

[¶8] Following two formal hearings, which included testimony from an attorney specializing in pension plans, the ALJ concluded that the offset is allowed

under the Act. First, the ALJ found that Mr. Proctor's pension benefits constitute a distribution of substantially equal periodic payments, and as such, are not qualified to be eligible rollover distributions under 26 U.S.C. § 402(c). Second, the ALJ found as fact that the pension distributions were taxed prior to being paid to Mr. Proctor, and concluded that under the IRS Code, a rollover can be effectuated only with pretax dollars. Thus, the ALJ determined that Mr. Proctor "received" the pension benefits despite subsequently placing them in an IRA, distinguishing this case from *Jordan* and making the funds subject to coordination under section 221.

[¶9] Nonetheless, the ALJ agreed with Mr. Proctor that Sappi's reduction of benefits in March of 2023 was premature because Mr. Proctor had not yet received any pension distributions. The ALJ ordered Sappi to pay penalties in the amount of $50.00 per day for the period of April 19, 2023, through May 1, 2023.[3] All other requested penalties were denied.

[¶10] The ALJ subsequently denied Mr. Proctor's motion for further findings of facts and conclusions of law. This appeal followed.

II. DISCUSSION

A. Standard of Review

[¶11] The role of the Appellate Division "is limited to assuring that the [ALJ's] findings are supported by competent evidence, that [the] decision involved

[3] Sappi has not appealed this determination.

no misconception of applicable law and that the application of the law to the facts was neither arbitrary nor without rational foundation." *Moore v. Pratt & Whitney Aircraft*, 669 A.2d 156, 158 (Me. 1995) (quotation marks omitted). The Appellate Division will not disturb a factual finding made by the ALJ absent a showing that it lacks competent evidence to support it. *Dunkin Donuts of Am., Inc. v. Watson*, 366 A.2d 1121, 1125 (Me. 1976).

[¶12] To the extent the Appellate Division is asked to construe a statutory provision, our purpose is to give effect to the Legislature's intent by first looking to the plain meaning of the statutory language, and to construe that language to avoid absurd, illogical, or inconsistent results. *Graves v. Brockway-Smith Co*., 2012 ME 128, ¶ 9, 55 A.3d 456. We also consider "the whole statutory scheme of which the section at issue forms a part so that a harmonious result, presumably the intent of the Legislature, may be achieved." *Id*. (quotation marks omitted). If the statutory language is ambiguous, we then look beyond the plain meaning and examine other indicia of legislative intent. *Id*.

B. "Receipt" of Pension Distributions under section 221(3)(A)(5)

[¶13] Mr. Proctor contends that the coordination of workers' compensation and pension benefits in this case is unlawful on the grounds that (1) the pension benefits are not being "received" under section 221(3)(A)(5) because they are being

placed in an IRA; and (2) Sappi effectively compelled Mr. Proctor to retire early in violation of section 221(8). We disagree with these contentions.

[¶14] Section 221 authorizes coordination of certain benefit payments with workers' compensation benefits. It provides, in relevant part:

> 1. **Application.** This section applies when either weekly or lump sum payments are made to an employee as a result of liability pursuant to section 212 or 213 with respect to the same time period for which the employee is also receiving or has received payments for:
> . . . .
>
> **C.** Pension or retirement payments pursuant to a plan or program established or maintained by the employer.
>
> . . . .
>
> 3. **Coordination of benefits.** Benefit payments subject to this section must be reduced in accordance with the following provisions.
>
> **A.** The employer's obligation to pay or cause to be paid weekly benefits other than benefits under section 212, subsection 2 or 3 is reduced by the following amounts:
> . . . .
> (5) The proportional amount, based on the ratio of that employer's contributions to the total contributions to the plan or program, of the after-tax amount of the pension or retirement payments received or being received by the employee pursuant to a plan or program established or maintained by the same employer from whom benefits under section 212 or 213 are received, regardless of whether the employee contributed directly to the pension or retirement plan or program[.]

[¶15] In *Jordan v. Sears Roebuck Co.*, 651 A.2d 358, the Law Court addressed whether 39 M.R.S.A. § 62, the precursor to current section 221, allows an employer to offset workers' compensation benefits when an employee elects to rollover

pension funds into an IRA. Mr. Jordan was in his mid-fifties when, because of his work-related injury, he was forced to accept early retirement. *Id.* at 359. He was provided with a lump-sum pension check which he deposited into an IRA on the following day. *Id.* This allowed him to defer taxation on receipt of the money. *Id.* Sears contended that under former section 62, it was entitled to immediately offset the pension funds against its obligation to pay workers' compensation benefits because Mr. Jordan had "received" a "payment" of his pension benefits when Sears relinquished control of the funds. *Id.* at 360.

[¶16] Mr. Jordan argued that the relevant statutory provision allowed for offset of the "after tax amount of the payments being received." Pursuant to the Internal Revenue Service Act, funds rolled over from a qualified employee benefit plan into an IRA are not taxed until they are ultimately distributed. Because the funds were rolled over, he asserted, the funds were not "received" and were not subject to coordination. *Id.*

[¶17] The Court in *Jordan* found ambiguity in the statute because the definition of "after tax amount" allowed for a calculation of the "prorated weekly amount which *would have been paid*."[4] *Id.* Therefore, the Law Court looked to the

[4] The definition previously set forth in 39 M.R.S.A. § 62-B(2)(A) remains without significant alteration in the current coordination of benefits statute, which provides, in relevant part:

> **A.** "After-tax amount" means:
>
> > **(1)** For benefits paid on claims for which the date of injury is prior to January 1, 2013, the gross amount of any benefit under subsection 3, paragraph A, subparagraph (2), (3), (4)

legislative history, observing that the offset provisions were enacted to "ensure a minimum income during the period of the employee's incapacity" while "reduc[ing] insurance premiums" and "prevent[ing] a double recovery of both retirement and compensation benefits." *Id.* at 360-361. The Court also noted the purpose of the Act generally: '"to shift the economic cost of work-injuries to the employer and ultimately the consumer.'" *Id*. at 361 (quoting *Harding v. Sheridan D. Smith, Inc*., 647 A.2d 1193, 1194 (Me. 1994)). Accordingly, the Law Court concluded:

> [T]here is nothing in the plain language or legislative history of section 62-B to suggest that the Legislature intended an immediate coordination of benefits when an employee rolls pension funds over into an IRA…. Because the Legislature has not expressed an intent to allow an immediate coordination of benefits in the case of an employee who rolls over pension money into an IRA, we conclude that "neither the language nor the purpose of the statute requires us to vacate the Commissioner's decision."

Id. at 362 (quoting *Neilsen v. Burnham & Morrill, Inc*., 600 A.2d 1111, 1112 (Me. 1991)). *See also St. Pierre v. Falcon Shoe,* 2004 ME 106, ¶¶ 8-10, 854 A.2d 212

> or (5) reduced by the prorated weekly amount that would have been paid, if any, under the Federal Insurance Contributions Act, 26 United States Code, Sections 3101 to 3126, state income tax and federal income tax, calculated on an annual basis using as the number of exemptions the disabled employee's dependents plus the employee, and without excess itemized deductions. In determining the after-tax amount the tables provided for in section 102, subsection 1 must be used. The gross amount of any benefit under subsection 3, paragraph A, subparagraph (2), (3), (4) or (5) is presumed to be the same as the average weekly wage for purposes of the table. The applicable 80% of after-tax amount as provided in the table, multiplied by 1.25, is conclusive for determining the after-tax amount of benefits under subsection 3, paragraph A, subparagraph (2), (3), (4) or (5).

39-A M.R.S.A. § 221(2)(A)(1).

(holding that the portion of a distribution from a profit-sharing plan that was rolled over into an IRA was not received by the employee and was therefore not subject to coordination with workers' compensation benefits under section 221).

[¶18] The ALJ in this case determined that Mr. Proctor "received" the pension funds, distinguishing *Jordan* on the grounds that the deposit of pension distributions from which taxes have been withheld into an IRA does not constitute a "rollover." As the *Jordan* Court stated, "funds rolled over from a qualified employee benefit plan into an IRA are not taxed until they are ultimately distributed to the participant, I.R.C. § 408(d).[5]" *Id.* at 360. Section 221(3)(A)(5) specifically allows employer offsets on after-tax distributions. Additionally, the ALJ reasoned that under 26 U.S.C. § 402[6], pensions providing equal periodic distributions over a lifetime, such as the pension in this case, are not eligible to be rolled over.

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[5] Title 26 U.S.C.A. § 408(d)(1) provides:

> (d) Tax treatment of distributions.
> (1) In general. Except as otherwise provided in this subsection, any amount paid or distributed out of an individual retirement plan shall be included in gross income by the payee or distributee, as the case may be, in the manner provided under section 72 [26 USCS § 72].

[6] Title 26 U.S.C.A. § 402 (c)(4)(A) provides:

> **(4) Eligible rollover distribution.** For purposes of this subsection, the term "eligible rollover distribution" means any distribution to an employee of all or any portion of the balance to the credit of the employee in a qualified trust; except that such term shall not include—
>
> **(A)** any distribution which is one of a series of substantially equal periodic payments (not less frequently than annually) made—
>
> **(i)** for the life (or life expectancy) of the employee or the joint lives (or joint life expectancies) of the employee and the employee's designated beneficiary, or

[¶19] Mr. Proctor argues that even if the pension funds were taxed and ineligible for a rollover, these facts have no bearing on whether the funds were "received." He contends because the funds were placed into an IRA, they are not capable of being spent in the normal course and therefore are not "received" for purposes of section 221. We disagree.

[¶20] Sappi withheld taxes from the pension distributions paid to Mr. Proctor. Mr. Proctor categorized those distributions as taxable income on his tax returns. The funds were not eligible for rollover distribution under the Internal Revenue Code because taxation was not deferred. The after-tax status of the funds distinguishes this case from *Jordan*. The fact that he placed the after-tax funds in an IRA does not change their classification as defined by the Internal Revenue Code. The ALJ did not err when determining that the pension distributions were subject to coordination with workers' compensation benefits.

C. Alleged Early Retirement

[¶21] Mr. Proctor argues that the ALJ's decision rewards Sappi for the very actions which the *Jordan* court sought to protect employees from. He argues that like Mr. Jordan, he was forced to retire early and utilize pension benefits before he reached the age in which he would voluntarily retire.

(ii) for a specified period of 10 years or more.

[¶22] Mr. Proctor further contends section 221(8), enacted after the Court's decision in *Jordan,* supports his argument that the mandatory distribution at age 65 is unlawful. Section 221(8) provides "Nothing in this section may be considered to compel an employee to apply for early federal social security old-age insurance benefits or to apply for early or reduced pension or retirement benefits."

[¶23] These arguments lack merit. Mr. Proctor was age 65 when his pension was distributed, whereas Mr. Jordan was in his fifties. While he argues that he was forced into early retirement, the ALJ noted that 65 is "Normal Retirement Age" as defined by the plan terms.[7] In contrast to Mr. Jordan, Mr. Proctor receives a life annuity pension. He will not "exhaust" his pension, but rather he will receive a set amount every month for the remainder of his life.

[¶24] Additionally, section 221(8) is inapposite because it is not the Workers' Compensation Act that compels the pension distribution at age 65, but the terms of the pension plan itself. We see nothing in the Act that would require the plan to defer distributions until an age beyond 65 years.

III. CONCLUSION

[¶25] Taxes are withheld from the pension payments in this case before distribution and as such, the payments do not qualify to be "rolled over" under the IRS Code. Moreover, pensions providing equal periodic distributions over a lifetime,

[7] Section 2.29 of the plan provides: "**Normal Retirement Age"** mean's a Member's 65th birthday.

such as the pension in this case, are not eligible to be rolled over. We therefore conclude that the facts of this case are distinct from *Jordan*. The pension distributions are "received" by Mr. Proctor pursuant to 39-A M.R.S.A § 221(3)(A)(5) and coordination with workers' compensation benefits is permitted. Finally, nothing in section 221 compelled Mr. Proctor to apply for early pension benefits or retire early; therefore, the plan does not violate section 221(8).

The entry is:

The administrative law judge's decision is affirmed.

Any party in interest may request an appeal to the Maine Law Court by filing a copy of this decision with the clerk of the Law Court within twenty days of receipt of this decision and by filing a petition seeking appellate review within twenty days thereafter. 39-A M.R.S.A. § 322.

Pursuant to board Rule, chapter 12, § 19, all evidence and transcripts in this matter may be destroyed by the board 60 days after the expiration of the time for appeal set forth in 39-A M.R.S.A. § 322 unless (1) the board receives written notification that one or both parties wish to have their exhibits returned to them, or (2) a petition for appellate review is filed with the law court. Evidence and transcripts in cases that are appealed to the law court may be destroyed 60 days after the law court denies appellate review or issues an opinion.

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