



Village of Poplar Grove – Board Meeting Memo

March 20, 2026

****Subject:****

IRMF Audit Findings

1. Background:

The Village of Poplar Grove participates in the IMRF program for employees. Rates are determined by plan tier participation.

Current Employee Rate for 2025 was 4.5%

Current Employer Rate for 2025 was 5.16%

2. Current Status:

This year the Village was selected to participate in its first ever IMRF audit. During the audit there were 3 areas of findings that need to be addressed.

Finding #2 & #3 will be adjusted manually for the 2025 calendar year and the correction maintained for the future.

#1 Finding is the issue I am bringing to the board's attention.

The finding discovered that the Village has not been exempting IRS Coded Section 125 plans from the IMRF wages, even though IRS Code Section 125 plans are exempt from all taxes.

Items included in the IRS Code Section 125 plan that apply to the Village are health insurance deductions, dental insurance deductions and vision insurance deductions.

It is my understanding from IMRF that this is how IMRF wage calculations should have always been done outside passing the suggested Resolution including Section 125 Plan items.

IMRF has provided two (2) possible remedies.

Remedy #1 - The first is the board could pass a resolution including section 125 plan items to be included in the IMRF wage calculations. This resolution would have to need to be retroactive for 2021 or the last four (4) years.

Remedy #2 – If the board does not wish to include these items in the wage calculations, then the Village will have to go back to the prior four (4) years to 2021 and recalculate the IMRF earnings for all employees. Overages paid to IMRF will be refunded to the Village and the Village would have to refund overages to the employees.

3. Fiscal Impact:

This decision will impact the cost of Employer contribution into the IMRF, while also having a financial impact on the amount of contribution by employees. Additional fiscal impacts include accounting services time to make corrections at rates of \$185 - \$385 per hour.

4. Legal Review (if applicable):

Legal has been made aware of this issue and will provide guidance upon resolution requirements.

5. Recommendation:

No recommendations at this time.

6. Supporting Documents (if applicable):

Attached - IMRF Compliance Report

Not Applicable

Kristi Richardson
Village President