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CONTENT

Bill for Introduction into the National Assembly—

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THE COUNTY GOVERNMENTS RETIREMENT SCHEME BILL, 2026

ARRANGEMENT OF CLAUSES

Clause

THE COUNTY GOVERNMENTS RETIREMENT SCHEME BILL, 2026

A Bill for

AN ACT of Parliament to establish the County Governments Retirement Scheme for eligible county state officers, public officers and employees in the service of county governments, county government agencies and associated organizations and for connected purposes

ENACTED by the Parliament of Kenya, as follows–

PART I—PRELIMINARY

1. This Act may be cited as the County Governments Retirement Scheme Act, 2026. Short title.

2. In this Act, unless the context otherwise requires— Interpretation.

"administrator" means the person appointed as such under section 23;

"annuity" means a pension purchased under a contract with a registered insurer;

"approved issuer" means an approved issuer appointed by the Trustee to provide the services of an approved issuer in accordance with the Retirement Benefits Act; Cap. 197

"associated organization" means any person, firm, company or organization of employees or association of employers created by, owned by or associated with county governments, urban areas and cities or any other institution, established under the County Governments Act, the Urban Areas and Cities Act, or their staff or any other person or body providing services to county governments or to their employees and includes those organizations whether associated with county governments or not that choose to participate in the Scheme by signing a deed of adherence; Cap. 265. Cap. 275.

"Authority" means the Retirement Benefits Authority established under the Retirement Benefits Act; Cap. 197.

"Board" means the Board of Trustees established under section 6;

"child" means any child of a deceased member, including a natural child, an adopted child or a step-child who has not attained eighteen years of age and includes an unborn child who, if already born, would have been a child of the deceased;

"commencement date" means the date of coming into force of this Act;

"contribution" means the amount payable by a member or sponsor into the Scheme under this Act;

"county public service" means the collectivity of individuals performing a function within a county government;

"custodian" means a person appointed as such under section 22;

"deed of adherence" means the legal instrument to be executed by an employer who joins the Scheme after the commencement date and which shall bind that employer to the rules of the Scheme;

"dependant" in relation to a deceased member, means a relative of the deceased who survives the deceased and who, on the date of the death of the deceased, was—

(a) a spouse to the deceased;

(b) a child of the deceased;

(c) a person born of or adopted by the deceased who is above the age of eighteen years; or

(d) a parent of the deceased who was dependent on the deceased for the provision of the ordinary necessities of life;

"early retirement age" means such age as may be prescribed but which shall not be less than fifty years;

"eligible employee" means an employee of the county public service or an employee of an associated organization as may be approved by the Board and which has signed a deed of adherence in accordance with this Act;

"employer" means a county government or any of its entities, organs or an associated organization, as may be approved by the Board and which has signed a deed of adherence in accordance with this Act;

"Fund" means the County Governments Retirement Scheme Fund established under section 38;

"fund manager" means a person appointed as such under section 21;

"income drawdown" means a facility to continue to keep retirement savings invested in the Scheme and take an income during a specified period rather than buy an annuity;

"insured benefit" means the death in service lump sum benefit and the disability lump sum benefit to be provided in terms of sections 33 and 35;

"investment return" means a portion of the return of the investment declared by the Board and appropriated to the account of a member;

"mandatory retirement age" means the age as prescribed by the Public Service Commission or any other Act of Parliament for retirement of public officers;

"member" means an eligible county state officer, public officer in the service of a county government or a person who has become a member of the Scheme and includes a person entitled to or receiving a benefit under the Scheme;

"member account" means an account maintained by the Scheme for an individual member;

"membership" means the fact of having been admitted as a member of the Scheme;

"pensionable emoluments" means basic salary and such other allowances as may be agreed upon by the employer and employees;

"public officer" has the meaning assigned thereto in Article 260 of the Constitution;

"public service" has the meaning assigned thereto in Article 260 of the Constitution;

"Scheme" means the County Governments Retirement Scheme established under section 4;

"sponsor" means an employer or any other body who makes contributions on behalf of a member;

"spouse" means a male or female person to whom a member is married to under a marriage recognized by the laws of Kenya immediately before their death; and

"Trustee" means a person appointed as a member of the Board of Trustees.

3. The object and purpose of the Act is to— Objects and purpose of the Act.

(a) provide for the establishment of the Scheme;

(b) provide for the payment of benefits to members of the Scheme when they become due;

(c) provide for the social security of members of the Scheme by ensuring that the members save in order to cater for their livelihood during their retirement;

(d) establish a uniform set of rules, regulations and standards for the administration and payment of benefits for members of the Scheme;

(e) protect the benefits of the members of the Scheme; and

(f) establish transitional provisions for the Local Authorities Provident Fund.

PART II—ESTABLISHMENT OF THE COUNTY GOVERNMENTS RETIREMENT SCHEME

4. (1) There is established the County Governments Retirement Scheme. Establishment of the Scheme.

(2) The Scheme shall be a body corporate with perpetual succession and a common seal and shall, in its corporate name, be capable of—

(a) suing and being sued;

(b) taking, purchasing or otherwise acquiring, holding, charging and disposing of movable and immovable property;

(c) entering into contracts;

(d) borrowing and investing money; and

(e) doing or performing all such other things or acts as may be necessary in furtherance of its purpose and functions.

(3) The Scheme shall be a defined contribution scheme providing benefits including—

(a) periodic payments through the purchase of an annuity;

(b) a lump sum as a commutation of pension or trivial pension as may be prescribed;

(c) an income drawdown;

(d) gratuity; and

(e) any other benefit approved by the Board in consultation with the Authority.

Membership of the Scheme.

5. (1) An eligible county state officer, public officer in the service of a county government or any other person approved by the Board may become a member of the Scheme under the auspices of a sponsor.

(2) A sponsor shall, before being admitted to the Scheme, execute a deed of adherence.

Board of Trustees.

6. (1) The management of the Scheme shall vest in a Board of Trustees.

(2) The Board shall consist of—

(a) a chairperson elected by the Trustees from among the members appointed under paragraphs (d), (e), (f) and (g);

(b) one person appointed by the Council of County Governors;

(c) one person appointed by the County Assemblies Forum;

(d) one person appointed by the County Public Service Boards;

(e) one person appointed by the County Assembly Service Boards;

(f) one person appointed by the most representative association of county government water service providers;

(g) four persons appointed by the most representative trade unions representing employees of county governments, three of whom shall not be of the same gender; and

(h) the chief executive officer who shall be an *ex officio* member and the secretary to the Board with no voting rights.

(3) For purposes of this section, the appointment of Trustees shall be made as follows—

(a) under subsection (2)(b), (d), (e) and (f), appointment shall be done immediately upon expiry of the term of the outgoing Trustees as contemplated in section 56(2);

(b) under subsection (2)(c), appointment shall be done six months after the appointments under paragraph (a); and

(c) under subsection (2)(g)—

(i) two Trustees shall be appointed upon expiry of the term of the outgoing Trustees as contemplated in section 56(2); and

(ii) the other two Trustees shall be appointed six months after the appointment of the first two Trustees under subparagraph (i).

Functions of the Board.

7. The Board shall—

(a) formulate policies relating to the Scheme in accordance with the provisions of the Retirement Benefits Act; Cap. 197.

(b) collect contributions and income payable to the Fund under this Act;

(c) pay out the various benefits to persons entitled to the benefits as provided under the Act;

(d) protect assets of the Scheme and ensure long term viability of the Scheme;

(e) ensure efficient management of the Scheme;

(f) ensure prudent investment of the Fund;

(g) negotiate competitive annuity rates on behalf of members;

(h) ensure that the Scheme observes high standards of corporate and business ethics; and

(i) perform any other functions assigned to it under this Act.

Powers of the Board.

8. (1) In the exercise of its functions, the Board shall be accountable to the sponsors and the members of the Scheme.

(2) The Board shall have all powers necessary for the proper performance of its functions under this Act.

(3) Without prejudice to the generality of subsection (2), the Board shall have power to—

(a) supervise the assets of the Scheme in such manner as best promotes the purpose for which the Scheme is established;

(b) appoint a custodian, fund manager, auditor and administrator to carry out their functions as specified in this Act and the Retirement Benefits Act; Cap. 197.

(c) determine the provisions to be made for administrative expenses as provided for under section 39 and for reserves of the Fund as provided for under section 40;

(d) ensure protection of the assets of the Scheme;

(e) associate with any other institution so as to further the purpose for which the Scheme is established;

(f) receive grants, gifts, donations or endowments and make legitimate disbursements from them;

(g) enforce remittance of outstanding contributions by a sponsor;

(h) invest any monies of the Scheme not immediately required for its purposes; and

(i) undertake any activity necessary for the fulfilment of any of the functions of the Scheme.

(4) The Board may, subject to such conditions as it may consider necessary, by resolution in writing, delegate any of its powers to any Trustee, staff of the Scheme or agent of the Board.

Qualifications for appointment of Trustees.

9. A person is qualified for appointment as a Trustee if that person—

(a) is a citizen of Kenya;

(b) holds a degree from a university recognized in Kenya;

(c) has at least five years' experience in—

(i) finance;

(ii) law;

(iii) economics;

(iv) actuarial science; or

(v) any other profession or work experience directly relevant to the functions of the Board; and

(d) meets the requirements of leadership and integrity set out in Chapter Six of the Constitution.

Disqualification from appointment as a Trustee.

10. A person shall not be qualified for appointment as a Trustee if that person—

(a) has been convicted of a criminal offence, and sentenced to imprisonment for a term of six months or more;

(b) is an adjudged bankrupt or enters into a composition or arrangement with creditors; or

(c) is disqualified under the provisions of any other written law from appointment as such.

Tenure of office.

11. A Trustee shall hold office for a term of three years from the date of appointment and is eligible for re-appointment for a further and final term of three years.

Removal from office.

12. (1) A Trustee may be removed from office by a resolution of the Board for—

(a) inability to perform the functions of the office arising out of physical or mental incapacity;

(b) gross misconduct or misbehaviour;

(c) incompetence or negligence of duty;

(d) bankruptcy;

(e) absence from two consecutive meetings of the Board without a reasonable explanation; and

(f) failure to meet the requirements of leadership and integrity set out in Chapter Six of the Constitution.

(2) Before a Trustee is removed from office under subsection (1), the Trustee shall be given an opportunity to be heard against the intended removal.

(3) The chief executive officer shall notify the appointing body of a resolution of the Board under this section within seven days of such resolution.

Vacation of office.

13. A person ceases to be a Trustee if the person—

(a) resigns from office by notice in writing addressed to the chairperson, and in the case of the chairperson, to the appointing authority;

(b) is convicted of a criminal offence and sentenced to a term of imprisonment of six months or more;

(c) is declared bankrupt or enters into composition or arrangement with his or her creditors;

(d) is unable to perform the functions of their office by reason of physical or mental incapacity;

(e) is removed in accordance with section 12; or

(f) dies.

Filling of vacancy.

14. Where a vacancy occurs in the membership of the Board under section 13, the appointing body shall appoint a new Trustee in accordance with the provisions of this Act to serve the remainder of the term.

Committees of the Board.

15. (1) The Board may establish committees consisting of the Trustees for the better carrying out of its functions.

(2) The Board may co-opt persons to committees established under subsection (1) for a particular reason and such persons shall serve for such period as the Board may determine.

(3) The persons co-opted into a committee under subsection (2) shall not be more than three.

(4) Subject to any specific or general direction of the Board, a committee established under subsection (1) may regulate its own procedure.

Remuneration of Trustees.

16. A Trustee shall be paid such remuneration as prescribed by the Board in accordance with the Retirement Benefits Act.

Cap. 197.

Conduct of business and affairs of the Board.

17. (1) The business and affairs of the Board shall be conducted in accordance with the Schedule.

(2) Except as provided in the Schedule, the Board may regulate its own procedures subject to compliance with the Retirement Benefits Act and the regulations thereunder.

Cap. 197.

(3) The Board may invite any person to attend any of its meetings and to participate in its deliberations, but such person shall not have a vote in any of its decisions.

Chief executive officer of the Scheme.

18. (1) There shall be a chief executive officer of the Scheme who shall be appointed by the Board through a competitive recruitment process on such terms and conditions as may be specified in the instrument of appointment.

(2) A person is qualified for appointment as the chief executive officer if that person—

(a) is a citizen of Kenya;

(b) holds a degree from a university recognized in Kenya;

(c) has at least ten years of experience of which five years shall be at senior management level in a profession relevant to the functions of the Scheme as may be defined in the Regulations; and

(d) meets the requirements of leadership and integrity set out in Chapter Six of the Constitution.

(3) A person shall not qualify for appointment as a chief executive officer, if such person—

(a) is a Member of Parliament or county assembly;

(b) is a member of a governing body of a political party;

(c) is an undischarged bankrupt;

(d) has been convicted of criminal offence and is sentenced to a term of imprisonment of six months or more; or

(e) has been removed from public office for contravening the provisions of the Constitution or any other written law.

(4) The chief executive officer shall be the accounting officer of the Scheme and shall be responsible for the—

(a) implementation of the decisions of the Board;

(b) day to day management of the affairs of the Scheme;

(c) management and discipline of the staff of the Scheme; and

(d) any other function that may be assigned by the Board.

(5) The chief executive officer shall hold office for a term of three years and is eligible for re-appointment for a further final term of three years.

(6) The chief executive officer may be removed from office on any of the following grounds—

(a) gross violation of the Constitution or other written laws;

(b) gross misconduct;

(c) physical or mental incapacity to perform the functions of the office;

(d) unsatisfactory performance; or

(e) bankruptcy.

(7) Before the chief executive officer is removed from office under subsection (6), the chief executive officer shall be given—

(a) sufficient notice of the allegations made against him or her; and

(b) an opportunity to be heard in accordance with Article 47 of the Constitution.

Staff of the Scheme.

19. (1) The Board may engage such other staff as it may consider necessary for the performance of its functions under this Act.

(2) The terms and conditions of service of the staff of the Scheme shall be determined by the Board.

Common seal of the Scheme.

20. (1) The common seal of the Scheme shall be kept in such custody as the Board may direct and shall not be used except by the order of the Board.

(2) The affixing of the common seal of the Scheme shall be authenticated by the signature of the chairperson and the chief executive officer and in the absence of either the chairperson or the chief executive officer, the Board shall nominate one Trustee to authenticate the seal of the Scheme on behalf of either the chairperson or the chief executive officer.

(3) The common seal of the Scheme when affixed to a document and authenticated shall be officially noticed and, unless the contrary is proved, an order or authorisation of the Board under this section shall be presumed to have been given.

PART III—ADMINISTRATION OF THE SCHEME

Fund manager.

21. The Board shall appoint a fund manager of the Scheme who shall, in addition to the duties prescribed under the Retirement Benefits Act— Cap. 197.

(a) implement the investment policy of the Scheme as approved by the Board;

(b) manage the Scheme funds and assets in accordance with the provisions of the Retirement Benefits Act;

(c) maintain books of accounts on all investment transactions relating to the Scheme;

(d) submit reports on a quarterly basis on investment strategy, market returns and other performance indicators to the Board; and

(e) perform any other function that may be assigned in the instrument of appointment and other written law.

Custodian of the Scheme.

22. (1) The Board shall appoint a custodian of the Scheme who shall, in addition to the duties prescribed under the Retirement Benefits Act— Cap. 197.

(a) receive the contributions remitted by the sponsors and members under this Act on behalf of the Board;

(b) notify the fund manager and the administrator of the receipt of monies not later than the next business day following such receipt;

(c) receive and keep in safe custody the title documents, securities and monies of the Scheme in trust for the members and beneficiaries;

(d) collect dividends for the Scheme;

(e) report to the Board on any matter relating to the assets being held by the custodian on its behalf at such intervals as may from time to time be determined by the Board;

(f) undertake statistical analysis on the investments and returns on investments with respect to funds in its custody and provide data and information to the administrator and the Board;

(g) submit to the Board a report on a quarterly basis, of the reconciliations with respect to the funds held by the custodian;

(h) execute, on behalf of the Board, the relevant proxy for the purpose of voting in relation to the investments; and

(i) perform any other function that may be assigned in the instrument of appointment or any other written law.

(2) The custodian shall maintain all funds and assets in its custody to the order of the Board and shall not utilise any funds or assets in its custody to meet its own financial obligation.

23. (1) The Scheme shall be administered by an administrator appointed by the Board. Administrator.

(2) The administrator shall be an employee of the Board.

(3) The functions of the administrator shall be to—

(a) open and maintain an account for each member;

(b) upon receiving details of the contributions remitted under this Act, cause the amount of the contributions to be credited in the account of the member in respect of whom the sponsor has made the payment;

(c) inform the Board if the details of contribution of a member differ from the expected;

(d) provide customer support services to members, including access at least on a quarterly basis to members' account balances and statements;

(e) keep and maintain proper books of accounts of the Scheme;

(f) cause to be paid retirement benefits to a member who has retired and all other benefits when they fall due;

(g) be responsible for all calculations relating to retirement benefits; and

(h) carry out any other functions as may be directed by the Board from time to time.

(4) The administrator shall ensure that all income earned from the investment of the Fund is distributed to the credit of the members' retirement savings accounts save for clearly defined and reasonable fees, charges, costs and expenses of transactions as may be approved by the Board.

Contributions.

24. (1) A member shall, so long as the member remains in the employment of a sponsor, contribute to the Scheme a sum not less than seven and a half percent of the pensionable emoluments of the member.

(2) A sponsor shall contribute to the Scheme a sum not exceeding two times the contribution rate by the employee or twenty percent of the pensionable emoluments of the member, whichever is lower.

(3) A member of the Scheme may make additional voluntary contributions to the Scheme.

(4) In addition to the contributions specified in subsections (1) and (2), the sponsor may take out and maintain a life insurance policy that has disability benefits in favour of every member of the Scheme, for a minimum of three times of the annual pensionable emoluments of the member.

(5) Upon commencement of this Act, contributions required to be made under subsections (1) and (3) shall be deducted by a sponsor from the salary of the contributor in

each month on which the salary is paid and shall be paid into the Scheme together with the contribution of the sponsor before the tenth day of every calendar month or before any other day which may be notified in writing and approved by the Authority.

(6) Where the sponsor is a county government, the contributions due under this Act shall be charged directly to the County Revenue Fund as a first charge.

(7) Any contributions not paid to the Scheme by a sponsor within fifteen days after the last day of the calendar month to which the contributions relate shall attract an interest during the period they remain unpaid at a rate equal to five per cent of the amount of that contribution and shall be added to the contribution for each month that the amount due remains unpaid, and any such additional amount shall be recoverable at the same time and in the same manner as the contribution to which it is added.

(8) All unpaid contributions and interest thereon shall constitute a civil debt of the respective sponsor and shall be recoverable summarily by the Board as provided for by the Retirement Benefits Act or any other written law. Cap. 197.

(9) The Board shall report to the Authority at such intervals as specified by the Authority, all remittances of contributions outstanding and not received after the deadlines specified herein.

Vesting of benefits.

25. All the benefits derived from statutory contributions and contributions made by a member shall vest immediately in the member.

Withdrawal of membership or benefits.

26. (1) A member shall not withdraw membership or benefits from the Scheme while the member is in the employment of a sponsor.

(2) Despite subsection (1), a member may withdraw benefits from their account before attaining the mandatory retirement age in the following circumstances –

(a) resignation;

(b) dismissal;

(c) ill health; and

(d) emigration.

(3) For purposes of subsection (2)—

(a) where a member leaves employment before one year of membership, the member may opt for payment of his or her own and the whole of the contributions by the sponsor, together with allocated investment income;

(b) where a member leaves employment after one year of membership but before attaining the specified early retirement age, the member may opt for payment of—

(i) not more than fifty per cent of their total accrued benefits and the investment income that has accrued in respect of those contributions; and

(ii) the balance shall be retained in the Scheme and continue to accrue interest until the member attains early retirement age, or transferred to another registered Scheme of the choice of the member;

(c) a member may opt for payment to him or her of the total amount of vested accrued benefits before attaining the early retirement age—

(i) on grounds of ill health or subsequently during deferment, if the member becomes incapacitated due to ill health, to the extent that it would occasion his or her retirement, if he or she was in employment; or

(ii) if the member has emigrated from Kenya to another country without the intention of returning to reside in Kenya and the Board has approved the payment of the retirement benefits and submitted, fourteen days prior to payment of the benefits, the approval to the Authority.

Withdrawal on retirement from service.

27. (1) Subject to section 29, a member is entitled to make withdrawals on attaining the mandatory retirement age, or where their exact date of birth is not known, on the first day of July in the year in which the Board deems that they have reached mandatory retirement age

(2) The proof of age of a retiring member for the purposes of this Act is the date of birth in any of the following documents—

(a) birth certificate;

(b) national identification card; or

(c) a valid passport.

Withdrawal on early retirement.

28. Despite the provisions of section 27, any member who retires on attaining the early retirement age is entitled to make withdrawals in accordance with section 29.

Payment of benefits.

29. (1) Where a member retires as provided in this Act, the member may request the Board in writing to pay to him or her—

(a) a lump sum from the balance in his or her retirement savings account that shall not exceed the equivalent of one-third of that balance and that member may withdraw any additional voluntary contributions made into the Scheme and accrued interest in full;

(b) monthly or quarterly income drawdown in accordance with a formula prescribed by the Board on the advice of an actuary;

(c) monthly or quarterly annuity for life purchased from an approved issuer of their choice and the annuity shall include a provision for benefits payable to dependants upon the death of the member.

(2) Despite the provisions of any other written law, a benefit granted under this Act shall not be—

(a) assignable or transferable except in accordance with the terms of a mortgage guarantee facility approved by the Board; or

(b) liable to be attached in settlement of any claim.

(3) The payment of a benefit shall commence from the end of the month immediately following the request of payment by the member to the Board.

(4) Every payment of benefits from the Scheme may be subject to deduction of the amount outstanding due by

the member under any mortgage guarantee facility approved by the Board.

Particulars of member and dependants of the member.

30. (1) Every member shall provide his or her particulars and those of his or her dependants to the administrator in the prescribed manner.

(2) A member may update the particulars provided under subsection (1) at any time and, in any event, at least three years before retirement.

Dispute on nomination.

31. (1) If a dispute relating to a nomination under this Part arises, the Board has power to consider any evidence presented and determine the rightful dependant.

(2) Nothing in this Part may be construed as limiting or otherwise affecting the inherent power of the Board, either on its own motion or on the application of a party, to make such decisions as may be necessary.

Death of a member in service.

32. (1) Upon the death of a member, the benefits accrued to the member shall be paid to the person whose particulars the member had provided or at the discretion of the Board as otherwise provided in the Retirement Benefits Act and Regulations thereunder.

Cap. 197.

(2) In the absence of a nomination, the Board shall apply the benefits referred to in subsection (1) to such dependants of the deceased and in such amounts as the Board shall determine.

(3) Where a dispute arises under this section, the Board shall consider any evidence presented before it and determine the rightful beneficiary.

Presumption of death of a member.

33. (1) Where a member is missing and it is proved that the member has not been heard of for such period as prescribed by the law relating to presumption of death by those who might be expected to have heard of the member if that member was alive, there shall be a rebuttable presumption that the member is dead as provided under the law.

(2) Where a person is presumed dead under this section, the provisions of section 33 apply.

Benefits to be paid upon the death of a member.

34. If upon the death of a member, benefits are paid to a person validly nominated under this Part, no other person shall have any other claim to the benefits against the Scheme.

Death of member in retirement.

35. (1) If a member who was receiving a retirement benefit under an income drawdown dies, a benefit that is equivalent to the unutilized balance of the account of the member shall be paid to the nominated beneficiaries of the member.

(2) The payment under subsection (1) shall be made to the beneficiaries as a lump sum.

Prohibited payments from the Scheme.

36. The benefits under this Act shall not be paid by the Scheme to—

(a) a member while the member is still in the employment of a sponsor except where a member works on a contractual basis for the sponsor after their resignation or early retirement; or

(b) any person as a loan, advance or other similar benefit or payment except as provided under this Act.

PART IV—FINANCIAL PROVISIONS

Establishment of the Fund.

37. There is established a Fund to be known as the County Governments Retirement Scheme Fund which shall be administered by the Board in accordance with this Act and other relevant written laws.

Sources of funds.

38. (1) The Fund shall consist of—

(a) monies as may vest in or accrue to the Scheme in the performance of its functions under this Act or under any other written law;

(b) contributions from sponsors and members;

(c) grants, gifts, donations or other endowments given to the Scheme;

(d) income from investments made by the Scheme that are approved by the Board;

(e) fees and charges authorized by the Board;

(f) monies earned by the Scheme from any other source; and

(g) monies from any other source provided or donated or lent to the Scheme.

(2) There shall be paid out of the Fund—

(a) all benefits provided for under this Act; and

(b) the expenses incurred in the management and administration of the Scheme subject to the limits provided under this section.

(3) The Board shall establish an account into which may be paid—

(a) monies transferred from the Fund for the expenses incurred by the Board in the exercise of its powers or the performance of its functions under this Act;

(b) the annual administrative expenses deducted from the value of the Fund at the rate approved from time to time by the Board but subject to a maximum of two and a half percent of the value of the Fund or any such rate as the Board, in consultation with the Authority, may prescribe;

(c) monies that may vest in the Board in the course of the exercise of the powers of the Board;

(d) income from the investment of the monies held in the account established under this section; and

(e) all monies from any other source provided for or donated or lent to the Board.

(4) Any unspent monies budgeted for annual administrative expenses shall lapse back into the Fund at the end of the financial year.

(5) The Board may invest any surplus monies held in the account established under this Act in asset classes approved under the Retirement Benefits Act. Cap. 197.

Reserve account.

39. (1) The Board may maintain a reserve account of the Scheme into which shall be deposited any income of the Scheme that the Board determines should be set aside to stabilize the returns to members subject to a maximum of ten per cent of such income with consideration to the Income Tax Act or regulations made thereunder. Cap. 470.

(2) Money shall not be drawn out of the reserve account except as directed by the Board for the purposes provided for under subsection (1).

(3) Any money determined to be income of the reserve account shall be treated as income forming part of the general income of the Scheme.

Annual estimates.

40. (1) Before the commencement of each financial year, the Board shall cause to be prepared estimates of the revenue and expenditure of the Scheme for that year.

(2) The annual estimates shall make provision for all the estimated expenditure of the Scheme for the financial year concerned and, in particular, shall provide for the—

(a) payment of allowances in respect of the Trustees;

(b) payment of the salaries, allowances, and other charges in respect of the staff of the Scheme;

(c) payment of benefits and other charges which are payable out of the Fund;

(d) funding of the registration, monitoring and evaluation activities of the Scheme;

(e) maintenance of the buildings and grounds of the Scheme;

(f) funding of training, research and development of activities of the Scheme;

(g) reserve funds to meet future or contingent liabilities in relation to retirement benefits, insurance or replacement of buildings or equipment; and

(h) such other matters as the Board may consider necessary.

(3) The annual estimates shall be approved by the Board before the commencement of the financial year to which they relate.

(4) The expenditure of the Scheme shall not be incurred except in accordance with the annual estimates approved by the Board.

Appointment of Auditor.

41. The Board shall appoint an auditor for the Scheme who shall be a member of the Institute of Certified Public

Accountants of Kenya and the appointment shall be notified to the Authority within thirty days of ratification at the annual general meeting of the Scheme.

42. (1) The Board shall cause to be kept proper books and records of accounts of the income, expenditure, assets and liabilities. Accounts and audit.

(2) Within a period of three months after the end of each financial year, the Board shall submit to the auditor, the accounts of the Scheme in respect of that year together with—

(a) balance sheet showing in detail the assets and liabilities of the Scheme as at the end of the financial year;

(b) a statement of the income and expenditure of the Scheme during that year; and

(c) such other statements as may be required by the Authority.

(3) The annual accounts of the Scheme shall be prepared, audited and reported upon in accordance with the Retirement Benefits Act and other relevant laws. Cap. 197.

43. The financial year of the Scheme shall be the period of twelve months ending on the thirtieth June in each year. Financial year.

44. The annual investment income earned by the Scheme shall after deduction of all expenses and costs properly paid out of the Scheme and any appropriation to a reserve account approved by the Board be credited to members' accounts on a pro-rata basis. Annual distribution of profits.

PART V—MISCELLANEOUS PROVISIONS

45. (1) The Board shall, within six months of the end of the financial year of the Fund, convene an annual general meeting of the members of the Scheme. Annual general meeting.

(2) The annual general meeting shall be conducted in accordance with the provisions of the Retirement Benefits Act. Cap. 197.

46. (1) The requirements of this Act are in addition to requirements imposed by the Retirement Benefits Act. Conflict with other written law. Cap. 197.

(2) Where there is a conflict between the provisions of this Act and the provisions of the Retirement Benefits Act, the provisions of the Retirement Benefits Act shall prevail. Cap. 197.

Duty of care.

47. (1) The Board shall—

(a) ensure that the Scheme is at all times managed in accordance with the provisions of this Act, the Retirement Benefits Act and any other applicable written laws; and Cap. 197.

(b) take reasonable care to ensure that the management of the Scheme or safe keeping of the assets of the Scheme is carried out in the best interests of the members of the Scheme.

(2) The administrator, fund manager and custodian shall—

(a) report to the Board and the Authority, as soon as reasonably practicable, any unusual occurrence with respect to the Scheme which in their view could adversely affect the rights of accounts of members under the Scheme; and

(b) report to the Board and the Authority, as soon as is reasonably practicable, if a sponsor has not remitted the required contribution and such remittance remains due for more than ten days.

Protection from personal liability.

48. No action or omission by any member of the Board or employee of the Scheme shall, if the act was done in good faith for the purpose of carrying out the provisions of this Act or any other written law, subject the person to any liability, action, claim or demand.

Offences.

49. (1) A person who—

(a) wilfully fails to remit contributions to the Scheme as required;

(b) knowingly gives false information to the Scheme; or

(c) being a Trustee or employee of the Scheme, wilfully misappropriates the assets of the Scheme,

commits an offence and is liable on conviction to a fine not exceeding five million shillings or to imprisonment for a term not exceeding five years or to both.

(2) Where an offence under this section is committed by a body corporate, every person who at the time of the commission of the offence was—

(a) a director, general manager, secretary of the company or other similar officer of the body corporate; or

(b) purporting to act in any such capacity as provided in paragraph (a),

commits that offence.

(3) A person who is convicted of an offence under subsection (1) (c) shall, in addition to any fine that may be imposed, refund to the Scheme three times the value of any loss that may be incurred by the Scheme by reason of the commission of the offence.

Proceedings for recovery of deductions from sponsors.

50. (1) Despite the provisions of section 24, where a sponsor, having made a deduction from the pensionable emoluments of a member, for remittance to the Scheme, fails to remit the contribution within fifteen days of the deduction, the Scheme shall, after giving such sponsor notice of not less than seven days, institute proceedings for the recovery of the deduction.

(2) A notice under subsection (1) shall be in writing and copied to the Authority, and shall—

(a) require the sponsor to pay the sum deducted to the Scheme within seven days of the notice; and

(b) inform the sponsor that if they fail to pay such sum before the expiration of the notice, proceedings for summary recovery of the sum shall be filed in court without further reference to them.

(3) Any sum which is the subject of proceedings of summary recovery under this section shall attract a compound interest at the rate of three per cent per month.

(4) Without prejudice to any proceedings instituted under the provisions of this section, a person who refuses or fails to comply with a notice given to him or her under subsection (1) commits an offence and shall be liable on conviction to a fine not exceeding five million shillings, or in the case of a natural person, to imprisonment for a term not exceeding two years, or to both.

(5) Where an offence under subsection (4) is a continuing offence, the person convicted shall, in addition to the penalty prescribed in that subsection be liable to a further fine of one thousand shillings for every day or part thereof during which the offence continues.

General penalty.

51. A person who—

(a) contravenes any provision of this Act which is expressly stated to be an offence but for which no other penalty is prescribed; or

(b) fails to comply with any direction given by the Authority,

commits an offence and is liable, on conviction, to a fine not exceeding one hundred thousand shillings, or to imprisonment for a term not exceeding one year, or to both.

Regulations.

52. (1) The Board may, in consultation with the Authority, make regulations generally for the better carrying into effect the provisions of this Act.

(2) Without prejudice to the generality of subsection (1), the Board may make regulations prescribing—

(a) mode of receiving contributions;

(b) mode of paying out benefits;

(c) mode of provision of the details of members and their nominees and dependants;

(d) the formula of income drawdown;

(e) requirements for admission to membership and the circumstances under which membership is to cease;

(f) conditions under which and when a member may become entitled to any benefit including death benefits, the nature and extent of any such benefit and the mode of calculating the benefits;

(g) distribution of reserve funds to exiting members;

(h) remuneration of trustees;

(i) investment of scheme funds;

(j) the mode of recovery of unremitted contributions;

(k) the period upon which a member may withdraw their benefits from the Scheme;

(l) appointment and term of the auditor of the Scheme and any other person rendering professional services to the Scheme;

(m) the manner in which disputes between the parties of a scheme shall be resolved;

(n) general management and administration of the Scheme; and

(o) such other matters as the Board considers necessary.

Exemption from other statutory schemes.

53. The sponsors and members of the Scheme may be exempt from making Tier II contributions to the National Social Security Fund.

Repeal of Cap. 272.

54. The Local Authorities Provident Fund Act is repealed.

PART VI—SAVINGS AND TRANSITION

Savings and transition.

55. (1) An eligible employee of a sponsor who, immediately before the commencement date was a member of the Local Authorities Provident Fund shall, upon the commencement of this Act, be deemed to be a member of the Scheme.

(2) A person who is a member of the Board of the Local Authorities Provident Fund immediately before the commencement of this Act shall be deemed to be a Trustee of the Scheme under this Act for the remainder of their unexpired term.

(3) A person who immediately before the commencement of this Act was an employee of the Local Authorities Provident Fund under the repealed Act shall continue to serve as an employee of the Scheme under their respective terms of employment as if appointed or employed under this Act.

(4) The funds, assets and other property, movable and immovable which immediately before the commencement date were held by or on behalf of the Local Authorities Provident Fund shall vest in the Scheme.

(5) All the records of the Local Authorities Provident Fund shall be transferred to the Scheme administrator.

(6) All rights, liabilities and duties whether arising under any written law or otherwise, which immediately before the commencement date were accruing, imposed or enforceable by or against the Local Authorities Provident Fund shall vest in, be imposed on, or be enforceable against the Scheme.

(7) Any suit or legal proceedings by or against the Local Authorities Provident Fund shall continue as if they were instituted by the Scheme or against the scheme and no such suit, action or legal proceedings shall abate or be terminated by the virtue of the transition of the scheme.

(8) Subject to section 41, the annual estimates approved for the Local Authorities Provident Fund for the financial year in which this Act comes into operation shall be considered to be the annual estimates of the Scheme for the remainder of that financial year but those estimates may be varied by the Board.

SCHEDULE (s.17)

THE CONDUCT OF BUSINESS AND AFFAIRS OF THE BOARD

Meetings of the Board.

1. (1) The Board shall hold at least four meetings in every financial year and not more than four months shall elapse between the date of one meeting and the date of the next meeting.

(2) Meetings shall be convened by the secretary of the Board in consultation with the chairperson and shall be held at such times and such places as the chairperson shall determine.

(3) The chairperson shall preside over all meetings and in the absence of the chairperson, a Trustee elected by the Board at the meeting for that purpose, shall preside over the meeting.

(4) The chairperson may at any time convene a special meeting of the Board, and shall do so within seven days of the receipt of a written request signed by at least five other Trustees.

(5) Unless six Trustees otherwise agree, at least seven days' notice of a meeting shall be given to every Trustee.

Quorum.

2. (1). The quorum of a meeting of the Board shall be five Trustees present and voting.

(2) For special meetings, the quorum shall be six Trustees present and voting.

Voting.

3. A decision of the Board shall be by a majority of the Trustees present and voting and, in the case of a tie of votes, the person presiding at the meeting shall have a second or casting vote.

Minutes.

4. Minutes of all meetings shall be kept and entered in records kept for that purpose.

MEMORANDUM OF OBJECTS AND REASONS

Statement of objects and reasons for the Bill

The principal object of this Bill is to establish the County Governments Retirement Scheme as the retirement benefits scheme for eligible county state officers, public officers and employees in the service of county governments, county government agencies and associated organizations. The Bill further provides for the membership to the Scheme, contributions by members and sponsors, the investment and management of the assets of the Scheme, the payment of benefits, and the protection of members' accrued rights and benefits.

The Bill also seeks to promote sound governance and accountability by providing for the establishment of a Board of Trustees responsible for the management of the Scheme, prescribing its powers and functions, and requiring prudent financial management, auditing and reporting in accordance with the applicable laws governing retirement benefits and public finance.

The Bill further provides for transitional arrangements to facilitate the orderly transfer of members, assets, liabilities, rights and obligations from the Local Authorities Provident Fund to the County Governments Retirement Scheme Fund, while safeguarding accrued retirement benefits.

Statement on the delegation of legislative powers and limitation of fundamental rights and freedoms

This Bill delegates legislative powers to the Board of Trustees to make regulations for the carrying into effect of its provisions. The Bill does not limit any fundamental rights or freedoms.

Statement as to whether the Bill concerns county governments

The Bill contains provisions that affect the functions of the county governments as set out in the Fourth Schedule of the Constitution.

Statement as to whether the Bill is a money Bill within the meaning of Article 114 of the Constitution

The Bill is a money Bill within the meaning of Article 114 of the Constitution.

Dated the 18th August, 2026

KIMANI ICH'UNGWAH,
Leader of Majority Party.