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THE LOCAL AUTHORITIES PROVIDENT FUND (AMENDMENT) BILL, 2026

A Bill for

AN ACT of Parliament to amend the Local Authorities Provident Fund Act; and for connected purposes

ENACTED by the Parliament of Kenya, as follows—

Short title.

1. This Act may be cited as the Local Authorities Provident Fund (Amendment) Act, 2026.

Deletion and substitution of the long title of Cap. 272.

2. The Local Authorities Provident Fund Act (in this Act referred to as the "principal Act") is amended by deleting the long title and substituting therefor the following new long title—

"AN ACT of Parliament to establish the County Governments Retirement Fund; to provide for contributions to and administration of the Fund and for connected purposes"

Deletion and substitution of section 1 of Cap. 272.

3. The principal Act is amended by deleting section 1 and substituting therefor the following new section—

Short title.

1. This Act may be cited as the County Governments Retirement Fund Act.

Amendment of Cap. 272.

4. The principal Act is amended by—

(a) deleting the phrase "local authority" wherever it appears and substituting therefor the word "sponsor"; and

(b) deleting the word "Minister" wherever it appears and substituting therefor the words "Cabinet Secretary".

Deletion and substitution of section 2 of Cap. 272.

5. The principal Act is amended by deleting section 2 and substituting therefor the following new section—

Application.

2. This Act shall apply to—

(a) state officers serving in the county executive and county assemblies;

(b) public officers employed by the county public service boards, county assemblies service boards, county governments water service providers or any county government agency; and

(c) any person or body as may be approved by the Board, who resolves to be bound by the provisions of this Act, and shall in the case of each person or body so apply from the date specified in such resolution.

6. Section 3 of the principal Act is amended— Amendment of section 3 of Cap. 272.

(a) by deleting the definition of "appointed day";

(b) in the definition of "the Board", by deleting the words "Local Authorities Provident Fund Board" and substituting therefor the words "County Governments Retirement Fund Board";

(c) in the definition of "the Fund", by deleting the words "Local Authorities Provident Fund" and substituting therefor the words "County Governments Retirement Fund"; and

(d) by inserting the following new definitions in their proper alphabetical sequence—

"Cabinet Secretary" means Cabinet Secretary responsible for the National Treasury;

"employer" means a person who makes contributions on behalf of a contributor;

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

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

7. Section 4 of the principal Act is amended— Amendment of section 4 of Cap. 272.

(a) in subsection (1), by deleting the words "Local Authorities Provident Fund" and substituting therefor the words "County Governments Retirement Fund";

(b) in subsection (2), by deleting paragraph (b) and substituting therefor the following new paragraph—

"(b) the amounts contributed each month by contributors and sponsors under the provisions of section 8 of this Act"; and

(c) by deleting subsection (4) and substituting therefor the following new subsection—

"(4) The expenses of the management and administration of the Fund shall be deducted from the value of the Fund at the rate approved from time to time by the Board but subject to a maximum rate of two and a half percent of the value of the Fund or such rate as the Board may prescribe.

Insertion of a new section into Cap. 272.

8. The principal Act is amended by inserting the following new section immediately after section 4—

Benefits to contributors.

4A. The benefits under this Act shall include—

(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 concurrence with the Retirement Benefits Authority.

Amendment of section 5 of Cap. 272.

9. Section 5 of the principal Act is amended—

(a) by deleting subsection (1) and substituting therefor the following new subsection—

"(1) There is established the County Governments Retirement Fund Board which shall consist of—

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

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

(c) one person appointed by County Assemblies Forum;

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

(e) one person appointed by 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.

(b) by deleting subsection (1A); and

(c) by deleting subsection (4) and substituting therefor the following new subsection—

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

Deletion of section 7 of Cap. 272.

10. The principal Act is amended by deleting section 7.

Amendment of section 8 of Cap. 272.

11. Section 8 of the principal Act is amended—

(a) by deleting subsection (1) and substituting therefor the following new subsection—

"(1) Every contributor shall contribute to the Fund, a sum not less than seven and a half percent of the pensionable emoluments as may be prescribed.";

(b) by deleting subsection (2); and

(c) by deleting subsection (3) and substituting therefor the following new subsection—

"(3) Every sponsor shall contribute to the Fund monthly, a sum which shall not exceed two times the contribution rate by the employee or twenty percent of the pensionable emoluments whichever is lower."

Deletion of section 9 of Cap. 272.

12. The principal Act is amended by deleting section 9.

Deletion of section 10 of Cap. 272.

13. The principal Act is amended by deleting section 10.

Amendment of section 15 of Cap. 272.

14. The principal Act is amended by deleting section 15 and substituting therefor the following new section—

Payment of benefits on resignation or dismissal.

15. Subject to the provisions of this Act, a contributor who voluntarily resigns from, is dismissed, or leaves the service of a sponsor for any reason or in any circumstances other than those specified in section 14 of this Act, shall be paid their benefits.

Deletion of section 16 of Cap. 272.

15. The principal Act is amended by deleting section 16.

Amendment of section 19 of Cap. 272.

16. Section 19 of the principal Act is amended by deleting subsection (1) and substituting therefor the following new subsection—

"(1) Subject to the provisions of this Act, on the death of a contributor, the Board shall pay the total amount standing to the credit of his account to a nominee of the contributor or to such other persons as, in the opinion of the Board, is entitled to the payment.

MEMORANDUM OF OBJECTS AND REASONS

Statement of Objects and Reasons

The principal object of this Bill is to amend the Local Authorities Provident Fund Act, Cap 272 to align it with the Constitution of Kenya, 2010 and the County Governments Act, Cap. 265.

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

The Bill does not delegate legislative powers and does not limit rights and fundamental freedoms in the Bill of Rights.

Statement on whether the Bill concerns county governments

The Bill contains provisions that affect the functions and powers of the county governments in terms of Article 110 (1)(a) of the Constitution.

Statement that the Bill is a money Bill within the meaning of Article 114 of the Constitution

The enactment of this Bill may occasion additional expenditure of public funds.

Dated the 1st September, 2026.

JOHN KIARIE WAWERU,
Chairperson, Departmental Committee on Communication, Information and Innovation.

The Long Title of the Local Authorities Provident Fund Act which it is proposed to amend—

An Act of Parliament to establish a provident fund for certain employees of local authorities; to provide for contributions to the fund by such employees and authorities, and for the administration of the fund by a Local Authorities Provident Fund Board; and for matters incidental thereto and connected therewith

Section 1 of the Local Authorities Provident Fund Act which it is proposed to amend—

1. Short Title

This Act may be cited as the Local Authorities Provident Fund Act, 1960.

Section 2 of the Local Authorities Provident Fund Act which it is proposed to amend—

2. Application

This Act shall apply to every local authority which, with the approval of the Minister, resolves to be bound by the provisions of this Act, and shall in the case of each such authority so apply from the date specified in such resolution.

Section 3 of the Local Authorities Provident Fund Act which it is proposed to amend—

3. Interpretation

In this Act, except where the context otherwise requires—

"appointed day", in relation to a local authority, means the date specified in a resolution by that authority made pursuant to section 2 of this Act;

"contributor" means a person— (a) who for the time being is the holder of a designated post; or (b) in respect of whom any amount is standing to his credit in the Fund;

"designated post" means a post for the time being designated under section 7 of this Act;

"public service" means service under the Government and such other service as the Minister may determine to be public service for the purposes of this Act;

"salary" means the substantive salary payable to a contributor.

"the Board" means the Local Authorities Provident Fund Board established by section 5 of this Act;

"the Fund" means the Local Authorities Provident Fund established by section 4.

Section 4 of the Local Authorities Provident Fund Act which it is proposed to amend–

4. Establishment of Fund

(1) There is hereby established a fund to be known as the Local Authorities Provident Fund.

(2) There shall be credited to the Fund— (a) all assets transferred to the Fund under section 20 of this Act; (b) (c) (d) (e) the amounts contributed each month by contributors and local authorities under sections 8 and 10 of this Act; all dividends and interest accruing from investments of the Fund made under the provisions of section 6 of this Act; sums contributed by local authorities towards the expenses of management and administration of the Fund in accordance with the provisions of this section; such other moneys as may from time to time be received by the Board to be credited to the Fund.

(3) There shall be paid out of the Fund— (a) all payments which from time to time fall to be made under or by virtue of the provisions of this Act; (b) the expenses incurred in the management and administration of the Fund.

(4) The expenses of the management and administration of the Fund including the expenses of the annual audit of the accounts of the Board shall be paid in the first instance from the Fund, and as soon as practicable after the 30th June in each year the local authorities shall reimburse such payments to the Fund, each contributing proportionately to the number of contributors in its employment.

Section 5 of the Local Authorities Provident Fund Act which it is proposed to amend–

5. Establishment of the Board

(1) There is hereby established a board to be known as the Local Authorities Provident Fund Board which shall consist of the following members— (a) (b) (c) (d) (e) eight members appointed by the Minister, one to represent each province; one member appointed by Nairobi City Commission; two members appointed by the Association of Local Government Authorities of Kenya (or such other body as may for the time being have succeeded to the functions of that Association); three members

to represent members of the staffs of local authorities, appointed by the Minister after consultation with such local government associations and trade unions as he considers to be representative of those staffs; the Principal Local Government Financial Officer.

(1A) The chairman and vice-chairman shall be appointed from among the members by the Minister.

(2) Deleted by Act No. 9 of 1967, Sch.

(3) Deleted by Act No. 9 of 1967, Sch.

(4) In the absence of the chairman from any meeting of the Board the vice chairman shall exercise the functions of chairman.

(5) The chairman at any meeting shall have a casting vote in addition to a deliberative vote.

(6) Six members of the Board shall form a quorum.

(7) The Minister shall appoint a secretary to the Board.

(8) The Board shall be a body corporate having perpetual succession and a common seal, and may in its corporate name sue and be sued, and may, for and in connection with the purposes of this Act, purchase, hold, manage and dispose of land and other property and enter into such contracts as it may consider to be necessary or expedient.

(9) The common seal of the Board shall be authenticated by the signature of the chairman or of some other member authorized by the Board to act in that behalf.

(10) All documents, other than those required by law to be under seal, made by, and all decisions of, the Board may be signified under the hand of the chairman or such other person as the Board may authorize in that behalf.

Section 7 of the Local Authorities Provident Fund Act which it is proposed to amend—

7. Designated posts

(1) A local authority may from time to time, by resolution, designate any post within its establishment for the purposes of this Act with effect from such date as shall be specified in the resolution.

(2) A local authority may by a subsequent resolution revoke such designation, but may in its discretion allow the holder of such a post on the date of such revocation to continue to contribute to the Fund for so long as he continues to hold such post.

(3) In the event of a local authority not allowing the holder of a formerly designated post to continue to contribute as provided in subsection (2) of this section, he shall be paid at any time on his request the full amount of the balance standing to his credit in the Fund.

Section 8 of the Local Authorities Provident Fund Act which it is proposed to amend—

8. Liability to contribute and amounts of contribution

(1) Every contributor shall, so long as he remains the holder of a designated post, and subject to the provisions of section 7(2) of this Act, contribute to the Fund in the manner prescribed by section 9 of this Act, such sum as represents the balance between his contributions under the National Social Security Fund Act (Cap. 258) and seven and a half percent of his gross salary.

(2) In the ascertainment of salary for the purposes of subsection (1)—(a) during any period for which the contributor is temporarily in receipt of a reduced salary or no salary he may, in the discretion of the local authority, nevertheless be deemed to be in receipt of full salary: Provided that where the period exceeds two consecutive months the contributor may, within thirty days after the end of the second month, elect to contribute in respect of the excess of the period at the rate of one shilling and fifty cents for each twenty shillings of the salary which he actually receives; (b) where the salary is not an exact multiple of twenty shillings, then if the residual fraction is less than ten shillings the fraction shall be disregarded, but if it is ten shillings or more it shall be treated as if it were twenty shillings.

(3) Every local authority shall contribute to the Fund monthly, in addition to the sums deducted from its employees pursuant to section 9 of this Act, a further sum equal to the total of such deductions: Provided that no contribution by a local authority in respect of any one employee under this subsection shall exceed limits imposed as a condition of the approval of provident funds for income tax purposes by the provisions of the East African Income Tax (Management) Act, 1958.

(4) An account shall be kept in respect of each contributor to which the contributions, specified in this section shall be credited as at the 30th June in each year, and, in the event of an account being closed under section 13 of this Act, all contributions received in respect of the contributor since the preceding 30th June shall be credited to that account as at the date of closure.

Section 9 of the Local Authorities Provident Fund Act which it is proposed to amend—

9. Method of contribution by contributors

(1) A contribution required to be made under section 8(1) of this Act shall be deducted by the local authority from the salary of the contributor on each occasion on which his salary is paid and shall be paid into the Fund within such period as the Board may prescribe.

(2) Notwithstanding the actual date on which the deduction is made pursuant to subsection (1) of this section, each contribution shall be deemed for the purposes of this Act to be credited to the contributor's account in the Fund on the last day of the month in respect of which the salary is due.

Section 10 of the Local Authorities Provident Fund Act which it is proposed to amend—

10. Option to contribute in respect of past service

A contributor may, with the agreement of the local authority which employs him and subject to the approval of the Minister, make contributions to the Fund by one or more deductions from salary in respect of any period of service with that authority prior to the appointed day, in which event—

(a) the amount of his contributions shall be calculated in accordance with section 8(1) and (2) of this Act;

(b) the local authority shall on each occasion on which a contribution is made forthwith contribute to the Fund a further sum equal to his contribution;

(c) each contribution of the employee and each contribution of the local authority under the provisions of this section shall be deemed for the purposes of this Act to be credited to the contributor's account in the Fund on the last day of the month in respect of which the deduction is made.

Section 15 of the Local Authorities Provident Fund Act which it is proposed to amend—

15. Resignation or dismissal

(1) Subject to the provisions of this Act, a contributor who voluntarily resigns from, is dismissed, or leaves the service of a local authority for any reason or in any circumstances other than those specified in section 14 of this Act shall be paid such proportion of the balance

standing to the credit of his account in the Fund as is specified hereunder, according to the circumstances—

(a) in the case of voluntary resignation after more than five years', but less than ten years', contributing service, three-quarters of the credit balance in the contributor's account:

Provided that, in the case of a female contributor who resigns after more than five years' contributing service on or with a view to marriage or who is required to retire on account of marriage after a similar period of service, the Board may, on the recommendation of the local authority, pay to such female contributor the full amount of the balance standing in credit in her account;

(b) in the case of voluntary resignation after less than five years' contributing service, one-half of the credit balance in the contributor's account;

(c) in the case of dismissal from the service of a local authority for misconduct or inefficiency, one-half of the credit balance in the contributor's account: Provided that—

(i) where the dismissal is in consequence of an offence of a fraudulent character, or of grave misconduct, the person dismissed shall forfeit all claim to any payment under this Act;

(ii) notwithstanding paragraph (i) of this proviso, the Board may, on the recommendation of the local authority, return to him out of the Fund, or pay to his wife or family out of the Fund, a sum equal to the amount of all his contributions thereto under this Act, or to such part thereof as the local authority shall think fit.

(2) (a) In the circumstances specified in paragraphs (a) and (b) of subsection (1) of this section, the sum remaining to the credit of a contributor in his account, after payment to the contributor of such sum as he is entitled to thereunder, shall remain in the Fund for a period of twelve months and thereafter, subject to the provisions of section 16 of this Act, shall be paid to the local authority in whose employment the contributor was serving immediately before his resignation.

(b) In the circumstances provided for in paragraph (c) of subsection (1) of this section, the sum remaining to the credit of a contributor in his account, after payment to the contributor of such sum as he is entitled to thereunder, shall forthwith be paid to the local authority in whose employment the contributor was serving immediately before his dismissal:

Provided that where the contributor has served more than one local authority as a contributor to the Fund, the sum so remaining shall be allocated to the respective local authorities in proportion to each local authority's contribution to the Fund in respect of that contributor.

Section 16 of the Local Authorities Provident Fund Act which it is proposed to amend—

16. Reappointment to a designated post within twelve months of ceasing to be employed by a local authority

Where a contributor ceases (otherwise than by being dismissed for misconduct or inefficiency) to be employed by a local authority to which this Act applies, but within twelve months after so ceasing is appointed to a designated post under the same or another such local authority, he shall be entitled, upon repaying to the Fund any payment made to him therefrom, to reckon the period of former employment as contributing service for the purposes of sections 14 and 15 of this Act.

Section 19 of the Local Authorities Provident Fund Act which it is proposed to amend—

19. Payment on death of contributor

(1) Subject to the provisions of this Act, on the death of a contributor the Board shall pay the total amount standing to the credit of his account to the local authority by which he was last employed, for payment to be made as follows—

(a) if the amount does not exceed five hundred shillings, it shall be paid to such person or persons as may have been nominated for the purpose by the contributor, or if no such nomination has been made to the person or persons appearing to the authority to be entitled to the personal estate of the contributor;

(b) if the amount exceeds five hundred shillings it shall be paid to the legal personal representative of the contributor:

Provided that the authority may make an immediate payment, not exceeding three hundred shillings in any one case, out of the amount aforesaid in order to give immediate relief to the widow or children or other dependants of the deceased if in the opinion of the authority relief is required.

(2) A payment made by the Board or a local authority under this section shall be valid and effectual against a demand made upon the Board or the authority by any person in respect of the amount standing to the credit of the contributors' account in the Fund.