

INDEMNIFICATION SHALL BE AGAINST THOSE EXPENSES, INCLUDING REASONABLE ATTORNEY'S FEES, JUDGMENTS, FINES, AND ACCOUNTS PAID IN SETTLEMENT THAT ACTUALLY AND REASONABLY WERE INCURRED BY HIM IN CONNECTION WITH THE PROCEEDING.

(4) THE TERMINATION OF ANY SUIT OR PROCEEDING, IN ANY MANNER, OF ITSELF, DOES NOT CREATE A PRESUMPTION THAT THE PERSON DID NOT ACT IN GOOD FAITH AND IN A MANNER HE REASONABLY BELIEVED TO BE IN OR NOT OPPOSED TO THE BEST INTEREST OF THIS PENSION SYSTEM, AND WITH RESPECT TO A CRIMINAL ACTION OR PROCEEDING, HAD REASONABLE CAUSE TO BELIEVE THAT HIS CONDUCT WAS UNLAWFUL.

(5) INDEMNIFICATION MAY NOT BE MADE:

(I) WITH RESPECT TO ANY SUIT, CLAIM, OR MATTER AS TO WHICH THE PERSON IS ADJUDGED TO BE LIABLE FOR GROSS NEGLIGENCE OR WILLFUL MISCONDUCT IN THIS SYSTEM; OR

(II) FOR AN INDEPENDENT CONTRACTOR WHO PROVIDES SERVICES TO THIS PENSION SYSTEM.

(6) THE STATE MAY PROVIDE INSURANCE FOR EVERY PERSON ELIGIBLE FOR INDEMNIFICATION UNDER THIS SECTION AGAINST ANY LIABILITY ASSERTED AGAINST HIM OR INCURRED BY HIM ARISING OUT OF HIS STATUS AS A FIDUCIARY. THE STATE MAY PROVIDE SELF INSURANCE FOR THIS PURPOSE, IN WHOLE OR IN PART, UNDER TERMS AND CONDITIONS THAT ARE SATISFACTORY TO THE STATE TREASURER. IF THE STATE FAILS TO PROVIDE ADEQUATE INSURANCE COVERAGE OR IF THE STATE FAILS TO PROVIDE INDEMNIFICATION UNDER THIS SECTION, A FIDUCIARY MAY NOT BE REQUIRED TO PAY THE AMOUNTS ATTRIBUTABLE TO LIABILITY DESCRIBED IN THIS SECTION BECAUSE THE STATE FAILED TO PROVIDE THE INDEMNIFICATION.

#### 122. METHOD OF FINANCING.

ALL OF THE ASSETS OF THIS PENSION SYSTEM SHALL BE CREDITED, ACCORDING TO THE PURPOSE FOR WHICH THEY ARE HELD, TO THE FOLLOWING FUNDS:

(I) THE ANNUITY SAVINGS FUND;

(II) THE ACCUMULATION FUND; AND

(III) THE EXPENSE FUND.

(1) (A) THE ANNUITY SAVINGS FUND SHALL BE THE FUND IN WHICH THE CONTRIBUTIONS DEDUCTED FROM THE COMPENSATION OF MEMBERS TOGETHER WITH ANY AMOUNTS TRANSFERRED THERETO FROM THE ANNUITY SAVINGS FUND OF THE RETIREMENT SYSTEM SHALL BE ACCUMULATED. THE AMOUNTS TRANSFERRED SHALL BE ALLOCATED BETWEEN REGULAR AND ADDITIONAL CONTRIBUTIONS. ON HIS RETIREMENT OR OTHER WITHDRAWAL FROM SERVICE ON THE BASIS OF WHICH A RETIREMENT ALLOWANCE IS PAYABLE, THE MEMBER'S ADDITIONAL CONTRIBUTIONS, WITH INTEREST, SHALL BE PAID AS AN ADDITIONAL ALLOWANCE EQUAL TO AN ANNUITY THAT IS THE