§ 396. Employer not liable for payment of benefits. Neither the state, nor state university, nor any electing employer or its local sponsor shall be a party to any contract purchased in whole or in part with contributions made under the optional retirement program established and administered pursuant to this article. No retirement, death, or other benefits shall be payable by the state, or by state university, or by any electing employer or its local sponsor under such optional retirement program. Such benefits shall be paid to electing employees or their beneficiaries by the designated insurer or insurers in accordance with the terms of their contracts.