§ 507. Officers of board; custody of funds. 1. The retirement board shall elect from its membership a president and vice-president, and shall have power to employ a secretary and to secure the services of such technical and administrative employees as may be necessary for the transaction of the business of the retirement system. The compensation of all persons engaged by the retirement board and all other expenses of the board necessary for the proper operation of the retirement system shall be paid at such rates and in such amounts as the retirement board shall approve.

2. The retirement board shall appoint a counsel to serve as its legal adviser.

3. The head of the division of the treasury in the department of taxation and finance shall be the custodian of the funds of the retirement system, except any asset consisting of evidence of a loan to a member of the retirement system pursuant to section five hundred twelve-b which such asset shall be in the custody of the retirement board. Disbursements from the funds of the retirement system shall be made by the custodian or such person as may be authorized by him only upon warrants signed by a member of the retirement board, or an official thereof, authorized to do so by resolution of the board duly adopted at a meeting of the board by a majority of its members. The commissioner of taxation and finance shall authorize a person who in the absence or disability of the head of the division of the treasury in the department of taxation and finance shall exercise and perform the functions, powers and duties conferred or imposed on the head of the division of the treasury in the department of taxation and finance as the custodian of the funds of the retirement system, and such person so authorized shall continue to exercise and perform such functions, powers and duties during any period that the office of the head of the division of the treasury in the department of taxation and finance is vacant.

4. The custodian shall furnish annually to the retirement board a sworn statement of the amount of the funds in his custody belonging to the retirement system.

6. The retirement board shall appoint a medical board of three physicians who shall hold office at the pleasure of the retirement board. Such medical board shall meet at regular intervals and shall perform such duties as are assigned to it by the retirement board, including, but not limited to, a review of applications for disability retirement and a review of the continued disablement of pensioners retired for disability. The medical board shall report to the retirement board its recommendation approving or disapproving each disability retirement application. The medical board may designate other physicians to make such medical examinations of a disability applicant as it may require and shall review the findings of such physicians prior to making its own recommendation to the retirement board.

7. a. The system shall save harmless and indemnify all members of the retirement board, officers and employees of the system from financial loss arising out of any claim, demand, suit or judgment by reason of alleged negligence or other act by such board member, officer or employee provided that such board member, officer or employee at the time of such alleged negligence or act was acting in the discharge of his duties and within the scope of his employment and that such damages did not result from the willful and wrongful act or gross negligence of such board member, officer or employee and provided further that such board member, officer or employee shall, within five days of the time he is served with any summons, complaint, process, notice, demand or pleading, deliver the original or a copy thereof to the system's legal advisor.

b. Upon such delivery the system's legal advisor may assume control of the representation of such board member, officer or employee. Such board member, officer or employee shall cooperate fully with the system's legal advisor's defense.

c. This section shall not in any way impair, limit or modify the rights and obligations of any insurer under any policy of insurance.

d. The benefits of this section shall inure only to board members, officers and employees of the system and shall not enlarge or diminish

the rights of any other party.

8. Notwithstanding the provisions of subdivision seven of this section and in lieu thereof, the retirement board may, by adoption of a board regulation, provide for the indemnification and defense by the system of members of the retirement board and employees of the system in accordance with section eighteen of the public officers law.