



**RETIREMENT BOARD RETREAT CALENDAR SHEET
September 25, 2024**

To: Retirement Board
From: Alison Romano
CEO & CIO
Date: September 25, 2024
Agenda Item: State of AI

Recommendation:

This is a discussion item only.

Background:

At its November 8, 2023 meeting, the Retirement Board approved the Board Education Plan. This plan included implementing a half-day Board Retreat in FY2024-2025 to cover three educational topics – investments, fiduciary responsibilities and governance and decision quality. Investment discussions at Board meetings typically center on the SFERS portfolio, asset allocation, asset class reviews and performance. For this educational retreat, we are broadening the focus and will discuss Artificial Intelligence, a transformative technology that has the potential to impact economic growth, businesses operations across virtually every sector, the financial markets and approaches to investing.

Eric Liaw, Managing Director at Institutional Venture Partners (IVP) will present on the State of Artificial Intelligence. He will discuss the AI evolution and ecosystem, as well as the business and market opportunity. IVP is a venture capital firm that invests in AI, consumer, health, enterprise infrastructure, fintech, gaming and SaaS companies.

Attachments for Informational Purposes:

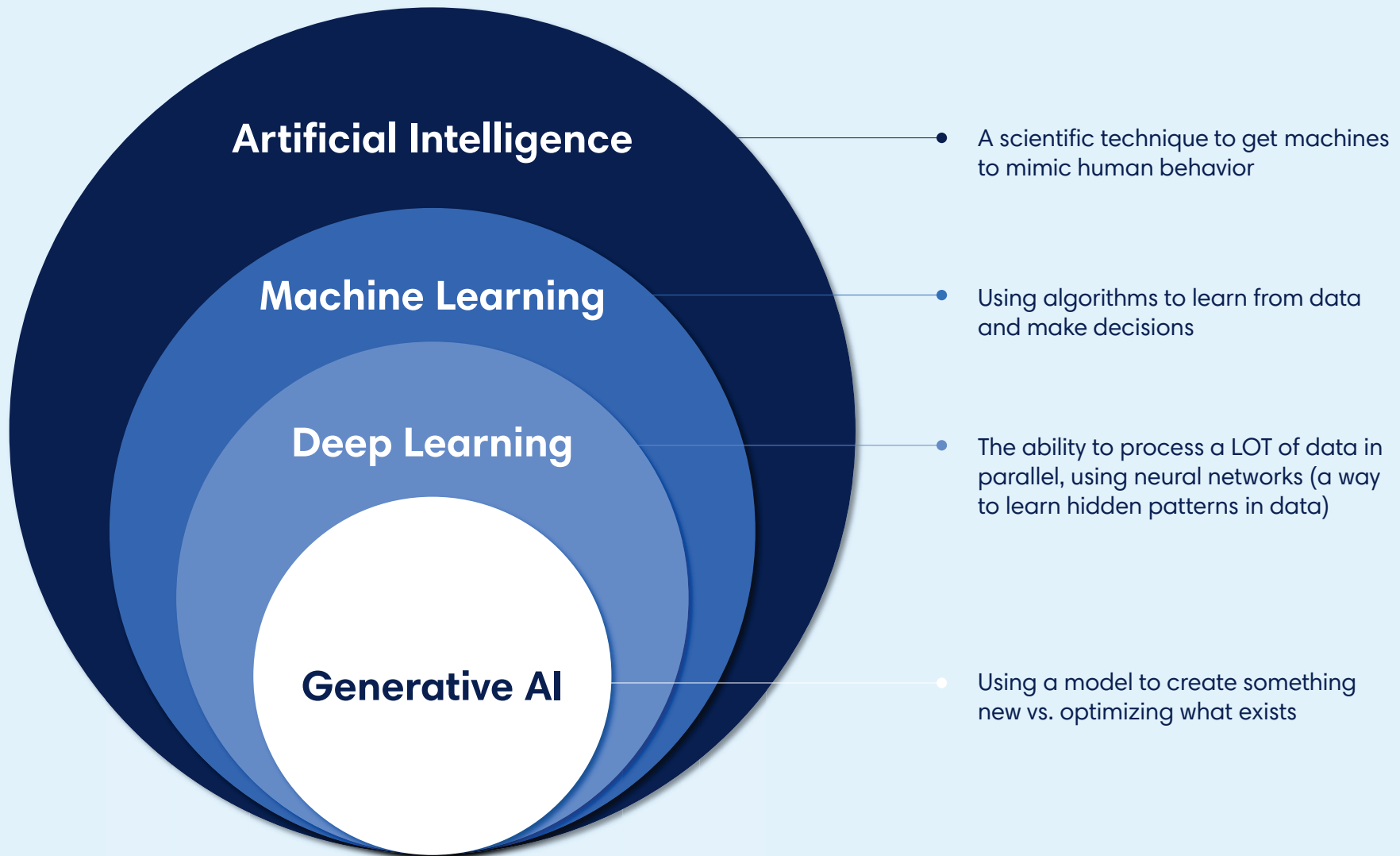
- Presentation: State of AI



State of AI

September 25, 2024

Discussion with the San Francisco Employees Retirement System



New platforms evolve in familiar ways - and create massive economic value

Decades of Development

Academic and government sponsored research unlock new tech capabilities, commercial innovation combines these advances into a new platform

A “wow” moment for millions inspires innovators to build



Intense Innovation

Incumbents invest in system technologies to compete for platform market leadership as upstarts begin to take on big problems with novel solutions

Mainstream

“Novel” shifts to “better, faster, cheaper” as innovations become incremental vs. revolutionary - market leaders are typically crowned



Cloud

1960s – 2020s

Launch of AWS in 2006 allows businesses to “rent” compute and storage online



Magical Moment

Intense Innovation

Mainstream



Decades of Development

Research-driven advances:

- Time-sharing on mainframes
- Virtualization and grid computing
- Internet infrastructure and speed



Mobile

1970s – 2010s

Decades of Development

Research-driven advances:

- Display resolution and durability
- Battery format and life
- Transition from disk to flash storage
- Improved wireless comm standards and infrastructure

Launch of iPhone in
2007 and the App
Store in 2008

Magical
Moment

Intense Innovation

Mainstream



SHAZAM



intuit.
mint.

pandora®



SAMSUNG

Uber

SUP
ERC
ELL

instacart





AI

1950s – Present

Launch of ChatGPT in 2022 brings generative AI to consumers



Magical Moment

Intense Innovation

Mainstream



ANTHROPIC

Google

glean

Microsoft

OpenAI

perplexity

Decades of Development

Research-driven advances:

- Computer neural networks
- Deep learning and large-scale models
- AI-programmable chips

Why does this matter?



1. Gartner, April 2023, Worldwide Public Cloud Services End-User Spending Forecast, USD
2. GSMA Intelligence, February 2024, Mobile Technologies and Services
3. McKinsey, June 2023, The economic potential of Generative AI: The next productivity frontier

Who will create and capture value?

Incumbents

Established distribution channels

Access to capital and resources

Brand recognition and trust

RELATIVE ADVANTAGES

Startups

Agile and innovative

Focus on niche markets

Unburdened by existing business models

Innovation across AI's tech stack

Applications (Horizontal / Vertical)

Allow consumers and business users to interact with AI



Connectivity (Infrastructure Software)

Tools that develop, deploy, monitor, and secure models



Data

"Food" for AI models, models are what they eat



Models

Computer programs specialized to solve complex problems



Hardware

Chips, servers, and systems that produce compute for AI models



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Hardware

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Models

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Applications

Connectivity

Vertical
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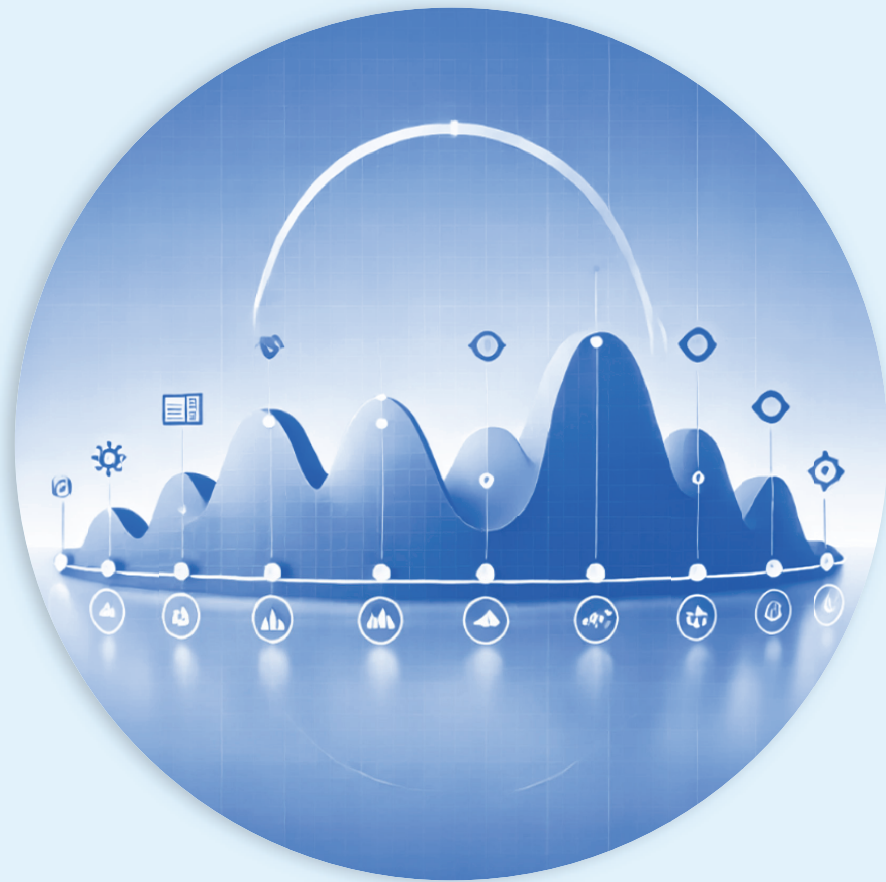
Startups

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**What about the
hype cycle...
will it bubble?**



Key questions

- **Is the problem being solved big enough?**
- **Who will win this space – incumbent or upstart?**
- **Is the tech being developed responsibly?**
- **How will value be captured?**

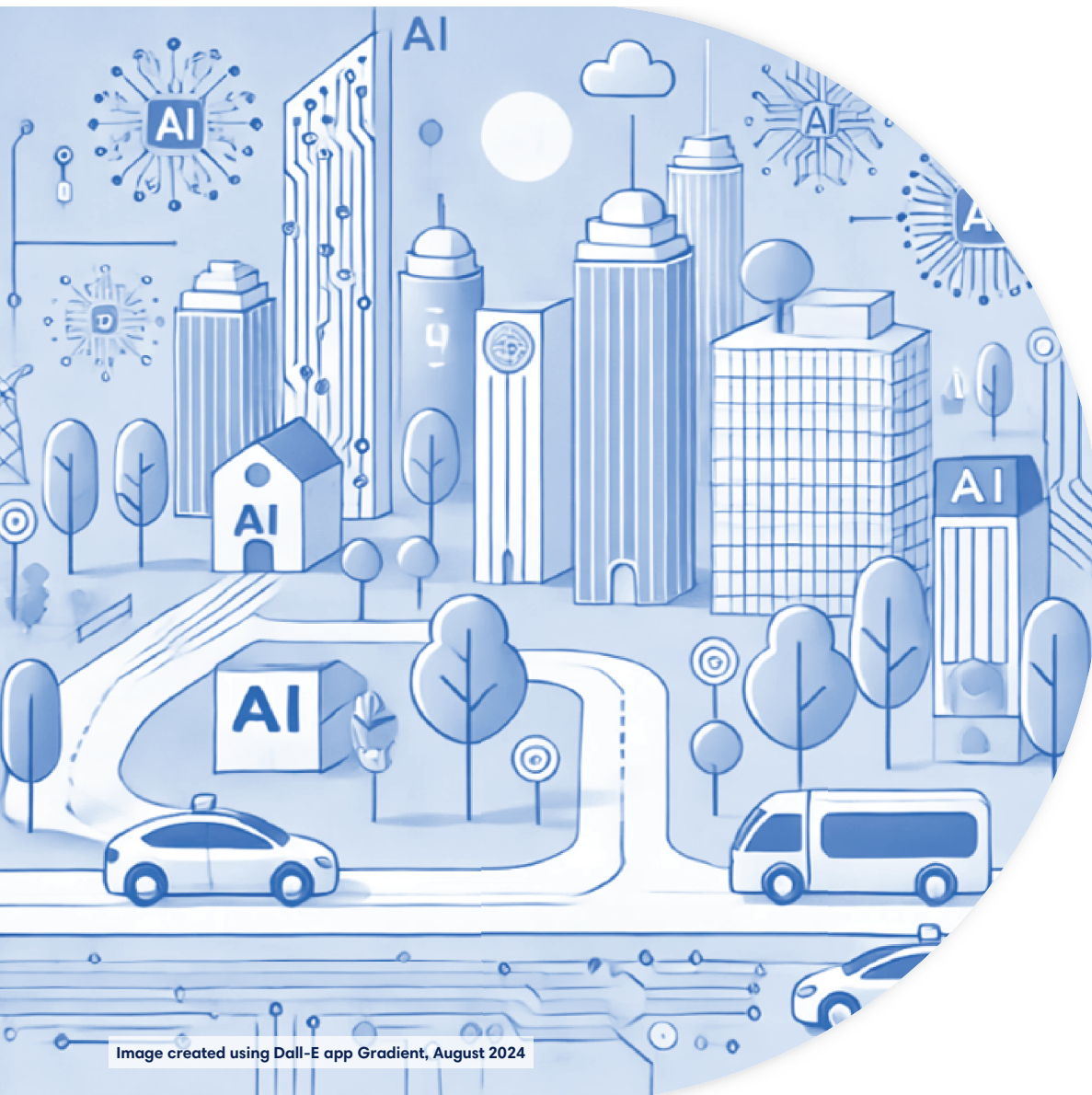


Image created using Dall-E app Gradient, August 2024

What becomes possible when everything is AI?