

OPTrust's 10-year Total Portfolio Approach journey

Session notes

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Setting the scene

About SHAPERS

SHAPERS is a Thinking Ahead Institute series hosting conversations that shape the way we think. Each session brings together forward-looking organisations to share real case studies and insights.

Hosted by



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Guest speaker

James Davis

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About OPTrust

OPTrust is one of Canada's largest pension funds, with more than \$27 billion in net assets and 118,000 members. It administers the OPSEU Pension Plan and manage its assets to support long-term pension security.

Context

The SHAPERS conversation explored OPTrust's 10-year journey with the Total Portfolio Approach, and how it shifted from siloed asset-class teams towards investing around one shared objective: the long-term sustainability of the pension plan.

James Davis explained that the transition was as much about culture as investment strategy. It required teams to move beyond individual benchmarks and alpha, and instead think collectively about risk, funded status and the needs of the total portfolio.

The discussion also looked at the importance of governance, communication and trust, alongside how OPTrust brings public and private markets together, measures success and is beginning to use AI alongside human judgement in investment decision-making.

Key takeaways

1

Start with a clear mission. A Total Portfolio Approach needs a single, consistent objective. For OPTrust, that North Star is the funded status and long-term sustainability of the pension plan.

2

Risk belongs to the whole portfolio. Risk should not be held or managed independently by individual teams. It needs to be shared and allocated according to the opportunities and requirements of the total fund.

3

Culture is the hardest part of the transition. Moving away from asset-class alpha, individual benchmarks and organisational silos requires changes to language, behaviours, incentives, governance and decision-making.

4

Public and private assets play different but complementary roles. OPTrust uses its liquid public-market portfolio as a “completion portfolio”, adjusting the total fund’s risk profile around the longer-term and less flexible private-market portfolio.

5

Communication creates the trust needed for change. James Davis’s main lesson was to communicate more, remain transparent and avoid assuming that people understand a change simply because it has been discussed before.

James Davis

“ Be crystal clear about what your mission is and don’t waver from that.”

Detailed summary

01 Success is broader than investment performance

The board monitors funded status, absolute return and performance against a simple passive reference portfolio over a five-year period. However, James Davis also uses a balanced scorecard to consider factors such as collaboration, risk-factor alignment, AI adoption and how well teams support the needs of the overall portfolio.

02 Liquidity and funding risk come first

Liquidity risk is particularly important given OPTrust's allocation to illiquid assets. The board sets a liquidity limit, and management works within a tighter internal limit, tested through stress tests and severe scenarios. Similarly, the board decides how much deterioration in funded status it will tolerate, and management translates this into risk budgets and manages risk actively.

03 Risk factors matter more than labels

The investment teams are being encouraged to look beyond asset-class names and consider the characteristics of each investment, including its exposure to growth, inflation, interest rates and cash flows. This is particularly important for a fully indexed pension plan that needs inflation sensitivity and liability-hedging characteristics.

04 Private-market change takes time

Illiquid investments cannot be adjusted quickly, so changes to the portfolio need to be planned years in advance. OPTrust has brought real estate, infrastructure and private equity under one leader and is developing a shared risk-factor framework to inform decisions across those areas.

Practical use cases

1

Using AI to challenge investment decisions

James Davis described how OPTrust is using AI not simply to improve efficiency, but to strengthen investment thinking. Public-market teams can use AI to interrogate previous decisions and challenge whether current thinking is consistent with past decisions and investment beliefs. OPTrust is also exploring AI agents that could eventually sit alongside investment committees to challenge and debate decisions, an approach James Davis summed up as “AI plus HI”, combining artificial intelligence with human intelligence.

2

Creating a “completion portfolio”

When James Davis joined OPTrust, the liquid portfolio consisted of eight separate portfolios, each with its own benchmark. Under the Total Portfolio Approach, this was reframed as a single “completion portfolio”, designed to manage total-fund risk and complement the longer-term exposures held in private markets. This allows the liquid portfolio to be adjusted more actively as the fund’s risk needs or market conditions change.

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