



The Right Protection

SSQ, Mutual Management Corporation 2007 Annual Report

SSQ Mutual Management
Corporation

We thrive on mutual trust

2007 Annual Report

SSQ, Mutual Management Corporation

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Mission Statement

SSQ, Mutual Management Corporation

SSQ, Mutual Management Corporation is a co-operative organization that is owned by its members who automatically obtain the status of member through their insurance contract with SSQ, Life Insurance Company Inc.

SSQ, Mutual Management Corporation pursues, for and in the name of its members, by working alone or in concert with partners, its social and economic objectives.

The Mutual's economic objectives are related to the financial service sector and are accomplished through SSQ, Life Insurance Company Inc. and its subsidiaries. Priority is given to ensuring quality products and services for members.

The Mutual's social objectives focus on improving the overall well-being of its members and the communities in which they work and live.

Report from the Board of Directors

UPHOLDING *THE RIGHT VALUES*

As 2007 draws to a close, I am proud to be able to declare “mission accomplished” as delegate participation at our 2007 Annual General Meeting (AGM) demonstrated that the democratic renewal process begun in 2006 has generated the results we hoped for. We have shown our dedication to protecting and upholding our mutualist values by renewing the democratic process members of our Mutual use to make their voices heard.

A total of 99 delegates made up the General Assembly in 2007. For the first time, 11 delegates representing members holding individual contracts with SSQ were among them. Another first this year was the fact that members from provinces outside Quebec were able to send 11 delegates to represent them at the AGM.

The renewal of our democratic process resulted in other inevitable changes to the AGM. For instance, to facilitate the comprehension and participation of all delegates, all documentation was made available in both English and French. And to ensure all-inclusive discussions, the presentations made at the Delegates’ Conference were presented simultaneously in French and English.

Positive feedback from delegates confirmed that we are on the right track and that our efforts to maintain a personal approach are appreciated – something not always easy to achieve in an increasingly high-tech world where the way we interact with one another is changing. This was also another occasion for us to demonstrate our commitment, which has always been, right from the start, to make people our No. 1 priority in everything that we do.

At SSQ, we continue to uphold *The Right Values*... the same values our mutual was founded on, that have guided us over the years, and that will continue to influence our development and growth in the future.

GROWING, WHILE REMAINING TRUE TO OUR ROOTS

Right from the start back in 1949, the board of directors of SSQ declared that services for members were to be accorded the utmost importance. In 2007, the board reaffirmed the importance it places on member services by approving the mission statement included in our new 2008-2012 strategic plan. The mission of SSQ Financial Group continues to be “to serve the interests of our members and clients by offering high-quality products and services to help them plan and protect their financial security throughout their lives, **while taking inspiration from the mutualist values that place people and social development at the very heart of what we do.**”

There is a good reason why the mutualist character of SSQ is emphasized in this mission statement. Indeed, it is important to us that people recognize that SSQ is a mutual, and as such, that mutualist principles continue to guide and influence our business decisions and development. Values such as solidarity, equity and risk sharing distinguish us from the competition and bring us closer to groups which uphold similar values.

The careful attention we give to ensuring our clients receive the best possible service when it comes to financial products and services is reflected in the board’s adoption of sound and effective corporate governance rules. To ensure that we meet the best corporate governance practices, the roles and responsibilities of the boards of directors and related committees were reviewed and updated in 2007, for both SSQ’s parent company and subsidiary companies. We are very pleased to report that providing quality member services continues to be of key importance.

BUILDING ON OUR STRENGTHS

As in previous years, in 2007, SSQ, Mutual Management Corporation once again continued to promote mutualism by providing specific training to SSQ employees. Another 100 employees from various sectors of SSQ benefited from a full-day training session on mutualist values and how upholding them has been important throughout the history of SSQ.

In addition, SSQ's Youth Co-op is another way we share our co-operative and mutualist values with young minds and raise awareness among SSQ employees. SSQ is proud to have supported this initiative, which is the first of its kind in the Quebec City area, for the fifth year in a row in 2007.

The Mutualism Promotion Committee, which reports to the board of directors, paid particular attention to the promotion of mutualism in 2007. In this regard, two work sessions were held devoted to reviewing the conclusions of a report on mutualism promotion practices at SSQ and different strategic options proposed.

The Mutual Life Promotion Committee, an internal committee made up of employees dedicated to the mutual cause, was active in proposing activities to promote mutualist values this year. One example is a wine and cheese event the committee sponsored featuring co-op products, which was attended by some 200 SSQ employees.

This committee also pursued efforts to make employees more aware that even small gestures can have a positive impact on sustainable development. To illustrate its point, reusable coffee mugs with the Mutual's logo were distributed to some 1,300 employees, with the help of SSQ's employee social club, thereby eliminating the need for styrofoam cups in company coffee machines. The savings generated through this initiative allow fair-trade coffee to be offered at the same price as regular coffee in the machines.

In the wake of our 60th anniversary celebrations, we wanted to pay homage to individuals having made an exceptional contribution to the creation and development of SSQ. As a result, the board rooms and committee meeting rooms at SSQ's head office have been renamed in honour of Dr. Jacques Tremblay, Paul-Émile Charron, Léopold Marquis and Jacques de la Chevrotière – all men having played an important role in shaping SSQ's history and development. Naming our board rooms after these men will ensure that their contributions to SSQ will not be forgotten.

REACHING OUT TO HELP OTHERS

At SSQ, we believe that it is essential to make meaningful contributions that demonstrate our commitment to mutualism and our determination to promote the values associated with it.

Information sessions on mutualism

Making others more aware of mutualist principles is one of the mandates that SSQ, Mutual Management Corporation considers essential, in particular, when it comes to the employees of SSQ Financial Group. That's why we continued to provide information sessions to raise employee awareness about mutualism again this year. These sessions have allowed approximately 100 employees to learn more about our company's mutualist roots. In addition, a welcome session for new delegates to the Annual General Meeting (AGM) including information about mutualism has been added on a permanent basis.

Conseil québécois de la coopération et de la mutualité

SSQ continues to actively support the *Conseil québécois de la coopération et de la mutualité* (CQCM), whose mission is to contribute to socio-economic development through promoting the co-operative and mutual movement, in keeping with the values and principles of the International Co-operative Alliance. The Quebec mutualist movement is made up of 39 mutual insurance companies, one of which is SSQ, Mutual Management Corporation. SSQ is also represented at the issue table responsible for co-operative training which falls under the CQCM.

Fondation pour l'éducation à la coopération

SSQ continues to provide financial support to the *Fondation pour l'éducation à la coopération* to help it carry out its mission to raise awareness of co-operative values among youth. As one of the founding members of this organization, SSQ continues to follow its activities with keen interest and is actively involved in some of its committees.

IRECUS

At SSQ, one of the ways we demonstrate our interest in advancing the co-operative and mutual movement is through working with the steering committee of the *Institut de recherche et d'éducation pour les coopératives et les mutuelles de l'Université de Sherbrooke* (IRECUS).

SOCODEVI, Société de coopération pour le développement international

In 1985, SSQ joined forces with other co-operative and mutual organizations to create SOCODEVI, with the goal of promoting and strengthening the co-operative formula as a viable tool for sustainable international development. SSQ shares its experience and expertise with organizations from developing countries and has provided technical assistance to a number of projects by allowing SSQ employees to participate in field missions abroad.

As Chairman of the Board of SSQ, Mutual Management Corporation, it is important for me to also be an active member of the board of directors of SOCODEVI. In this sense, I was honoured to be asked to inaugurate a new healthcare mutual, in March 2007, in Mali, a project which became a reality in part thanks to the contributions of SSQ Financial Group employees. We also organize meetings between our employees and the representatives and associates of SOCODEVI to exchange ideas and raise awareness about international development.

The International Cooperative and Mutual Insurance Federation (ICMIF)

For several years now, SSQ has been a member of ICMIF, an international association of co-operative and mutual insurance companies. Our membership in ICMIF facilitates the exchange of ideas with a worldwide network of insurance companies that share the same values. In addition to taking part in this association's biannual conferences, SSQ is also involved in certain ICMIF committees, one of which is its Intelligence Committee.

Board changes

On January 1, 2007, Mr. Norman A. Turnbull, Associate and Vice-President of Finances and Administration at MinQuest Capital, joined the board, replacing Mr. Jean-Marie Gagnon who left at the end of 2006.

Also leaving at the end of 2006 was Mr. Serge Dagenais, which allowed us to welcome Ms. Dominique Verreault to the board in 2007. Ms. Verreault is the President of the *Alliance du personnel professionnel et technique de la santé et des services sociaux* (APTS).

In addition, at the end of 2007, Ms. Kathleen Grant announced her departure after having faithfully served the board since 1995. Ms. Grant was also a member of the Mutualism Promotion Committee and played an active role in renewing the democratic process at the Mutual and in the adoption of a new model for appointing delegates. She was also a member of SSQ's Ethics Committee. Over the years, Ms. Grant made an invaluable contribution to the ongoing development of SSQ for which we are all very grateful. To fill the board position left vacant, Ms. Claire Bilodeau, an actuary with a doctorate in statistics and a professor at Laval University, has been invited to join the board effective in 2008.

I am pleased to have this opportunity to officially welcome our new members to the Mutual's board of directors.

Financial Results

The financial results of SSQ, Mutual Management Corporation represent a percentage of the overall results of SSQ Financial Group and reflect the Mutual's holdings in the ownership of the Group. These results accrue year after year and constitute the members' consolidated equity.

Total proceeds for 2007 amount to \$7.9 million. This figure is based on the Mutual's share of the results of SSQ Financial Group, that is \$7.7 million plus investment income of \$0.2 million. After subtracting expenses of \$0.7 million, net income amounts to \$7.2 million.

As at December 31, 2007, members' equity is valued at \$61.7 million, up 18% over the previous year. The Mutual is pleased with the excellent results SSQ Financial Group has obtained while balancing the interests of members, the financial position of SSQ's enterprises and shareholders' expectations for reasonable returns.

Acknowledgements

On behalf of SSQ, Mutual Management Corporation, I would like to thank all those who believe in mutualism and in the development of a more just and equitable society for all.

Also, on behalf of all members of the Mutual, I would like to express my sincere gratitude to our delegates for their valuable contributions to the ongoing development of our Mutual, and, also, to thank our board members for their steadfast dedication to advancing the interests of SSQ.



Pierre Genest
Chairman of the Board

Board of Directors

Chairman

■ Pierre Genest

Quebec City
Chairman of the Board
SSQ, Life Insurance Company Inc.

First Vice-Chairman and Treasurer

■ Kathleen Grant

Longueuil
Director of Communications and Student Recruitment
HEC – Montreal

Second Vice-Chairman

■ Maggy Apollon

Montreal
Architect
Maggy Apollon, Architecte

■ Normand Brouillet

Montreal
Union Representative
FEESP – CSN

■ Jacques Fortin

Quebec City
Executive Director
Association des cadres scolaires du Québec

■ Carolina Gallo La Flèche

Montreal
Lawyer
Corporate Director

■ Martin Gauthier

Lévis
Director, Human and Financial Resources
Centrale des syndicats du Québec – CSQ

■ Eddy Jomphe

Lévis
Union Representative
Canadian Union of Public Employees – FTQ

■ Andrew MacDougall

Toronto
President
Spencer Stuart Canada

■ Michel Nadeau

Longueuil
Executive Director
Institute for Governance of Private and Public Organizations

■ Denyse Paradis

Terrebonne
Secretary – Treasurer
Fédération de la santé et des services sociaux (CSN)

■ Sylvain Picard

Wendake
Executive Director
Native Benefits Plan

■ Norman A. Turnbull

Montreal
Associate and Vice-President of Finances and
Administration
MinQuest Capital Inc.

■ Émile Vallée

Gatineau
Retiree
Fédération des travailleurs et travailleuses du Québec (FTQ)

■ Dominique Verreault

St-Hubert
President
Alliance du personnel professionnel et technique de la santé
et des services sociaux (APTS)

■ Member of SSQ Mutualism Promotion Committee

Management

Chairman

Pierre Genest

FCIA, FSA

First Vice-Chairman and Treasurer

Kathleen Grant

MBA, BA Visual Arts

Second Vice-Chairman

Maggy Apollon

M.O.A.Q.

Corporate Secretary

Hélène Plante

LLB, BEPEO

Auditors' Report

To the members of

SSQ, Mutual Management Corporation,

We have audited the consolidated balance sheet of SSQ, MUTUAL MANAGEMENT CORPORATION as at December 31, 2007 and the consolidated statements of income, comprehensive income, members' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Mallette

L.L.P.

Chartered Accountants

Quebec City, Canada

February 26, 2008

Consolidated Statement of Income

SSQ, Mutual Management Corporation

07

06

For the year ended December 31,

(in thousands of dollars)

REVENUES		
Share in income of a company subject to significant influence <i>(Note 3)</i>	\$ 7,713	\$ 7,151
Other investments	179	190
Changes in fair value on held for trading assets	34	-
	7,926	7,341
EXPENSES		
Interest	699	927
Associations	21	15
Investments	2	1
Others	1	5
	723	948
NET INCOME	\$ 7,203	\$ 6,393

Consolidated Statement of Comprehensive Income

SSQ, Mutual Management Corporation

07

06

For the year ended December 31,

(in thousands of dollars)

NET INCOME	\$ 7,203	\$ 6,393
Changes in other comprehensive income of a company subject to significant influence ¹	(2,994)	-
COMPREHENSIVE INCOME	\$ 4,209	\$ 6,393

¹ Net of income taxes of \$1,446

Consolidated Statement of Members' Equity

SSQ, Mutual Management Corporation

07

06

For the year ended December 31,

(in thousands of dollars)

RETAINED EARNINGS		
Balance, beginning of year	\$ 52,185	\$ 45,792
Impact of new accounting standards (<i>Note 2</i>)	120	-
Net income	7,203	6,393
Balance, end of year	59,508	52,185
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of year	-	-
Impact of new accounting standards (<i>Note 2</i>)	5,146	-
Other comprehensive income of a company subject to significant influence	(2,994)	-
Balance, end of year ²	2,152	-
MEMBERS' EQUITY, end of year	\$ 61,660	\$ 52,185

² Including unrealized gains and losses on available for sale assets to the amount of \$2,041 and unrealized gains and losses on derivative instruments designated as hedges to the amount of \$111.

Consolidated Statement of Cash Flows

SSQ, Mutual Management Corporation

07

06

For the year ended December 31,

(in thousands of dollars)

OPERATING		
Dividends from a company subject to significant influence	\$ 1,514	\$ 1,389
Cashed interest	192	194
Paid interest	(921)	(931)
Investment fees	(2)	(1)
Other fees	(22)	(20)
	761	631
INVESTING		
Net acquisitions (disposals) of investments	827	(599)
Decrease of investment in a company subject to significant influence	84	28
	911	(571)
FINANCING		
Debenture principal repayments	(1,693)	-
INCREASE (DECREASE) IN CASH	(21)	60
CASH, beginning of year	131	71
CASH, end of year	\$ 110	\$ 131

Notes to Consolidated Financial Statements

SSQ, Mutual Management Corporation

As at December 31, 2007

(in thousands of dollars)

1. STATUS AND NATURE OF ACTIVITIES

SSQ, Mutual Management Corporation (the Company) is formed under « Loi concernant les Services de santé du Québec, SSQ, Mutuelle de gestion et SSQ, Société d'assurance-vie inc. ». Its main activity is to hold an investment in SSQ, Life Insurance Company Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies

A) *Financial Instruments and Comprehensive Income*

On January 1, 2007, the Company adopted the following new accounting standards that were issued by The Canadian Institute of Chartered Accountants (CICA): Handbook Section 1530 "Comprehensive Income"; Section 3251 "Equity"; Section 3855 "Financial Instruments – Recognition and Measurement"; and Section 3861 "Financial Instruments – Disclosure and Presentation". The Company adopted these changes in accordance with the transitional provisions and prior period balances have not been restated.

Under the new standards, all financial assets are classified as being in one of the following four categories: assets held for trading, assets available for sale, assets held to maturity or loans and receivables. All financial liabilities are classified either as liabilities held for trading or as other financial liabilities.

B) *Future accounting policies*

Effective, January 1, 2008, the Company will adopt three new CICA Handbook Sections. Section 1535 "Capital Disclosures" requiring disclosure of information about objectives, policies and processes for managing capital including conformity with externally imposed capital requirements. Section 3862 "Financial Instruments - Disclosures" requiring additional disclosure about the nature, extent and manner in which the Company manages risks related to financial instruments; and finally Section 3863 "Financial Instruments - Presentation" requiring changes to presentation of information only and will not impact the financial results of the Company (replaces Section 3861 "Financial Instruments - Disclosure and Presentation").

C) *Impact of new accounting standards*

Transitional adjustment of Retained Earnings as at January 1, 2007

Increase from investment in a company subject to significant influence	\$	169
Decrease from financial assets held for trading		(49)
	\$	120

Opening balance of Accumulated Other Comprehensive Income as at January 1, 2007

Increase from investment in a company subject to significant influence	\$	5,146
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Notes to Consolidated Financial Statements (continued)

SSQ, Mutual Management Corporation

As at December 31, 2007

(in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation

Consolidated financial statements include the accounts of the Company and those of its wholly-owned subsidiary, SSQ, Mutual Holding Inc., which holds an investment in SSQ, Life Insurance Company Inc.

Revenue recognition

Revenues from investments are recognized when earned.

Investment in a company subject to significant influence

The investment of 27.56% (2006 - 27.59%) in a company subject to significant influence, SSQ, Life Insurance Company Inc., is accounted for using the equity method.

Financial instruments

Fixed income investments are classified as assets held for trading and are carried at fair value. Revenues from investments and changes in fair value are recorded in income. Fair value of investments is based on their bid price at year end. Purchases and sales of investments are recognized on trade-date.

Note is classified as loans and receivables and is carried at amortized cost using the effective interest rate method.

Debentures and chattel mortgage are classified as other financial liabilities and are carried at amortized cost.

Other financial assets and liabilities are carried at cost which corresponds to fair value according to their short-term maturity.

3. INTEREST INVESTMENT

	07	06
Interest, beginning of year	\$ 56,784	\$ 51,050
Impact of new accounting standards <i>(Note 2)</i>	5,315	-
	62,099	51,050
Share in income	7,713	7,151
Share in other comprehensive income	(2,994)	-
Dividends for the year	(1,514)	(1,389)
Other items	(84)	(28)
Interest, end of year	\$ 65,220	\$ 56,784

Interest as at December 31 is made up of the following items:

	07	06
Share in equity of a company subject to significant influence	\$ 64,909	\$ 56,460
Unamortized balance of the goodwill	311	324
Balance of the interest	\$ 65,220	\$ 56,784

Notes to Consolidated Financial Statements (continued)

SSQ, Mutual Management Corporation

As at December 31, 2007

(in thousands of dollars)

4. FINANCIAL INSTRUMENTS

	07	06
Financial assets		
Fixed income investments, rates from 3.95% to 10.50%, maturing between February 2008 and June 2009, at fair value in 2007, at cost in 2006 (fair value 2006 - \$4,417)	\$ 3,623	\$ 4,465
Note, 7.09%, maturing May 1, 2020, fair value \$1,000	\$ 900	\$ 900
Financial liabilities		
Chattel mortgage, 7.09%, maturing May 1, 2020, fair value \$1,000	\$ 900	\$ 900
Debentures Series A, bearing interest at 5.81% payable each year, repayable from 2008 to 2011 in annual instalments of \$1,351	\$ 5,404	\$ 6,756
Debentures Series B, bearing interest at 5.81% payable each year, repayable from 2008 to 2009 in annual instalments of \$342, and from 2010 to 2011 in annual instalments of \$513	1,710	2,051
	\$ 7,114	\$ 8,807

Fair value of debentures is equal to the carrying value added plus accrued interest.

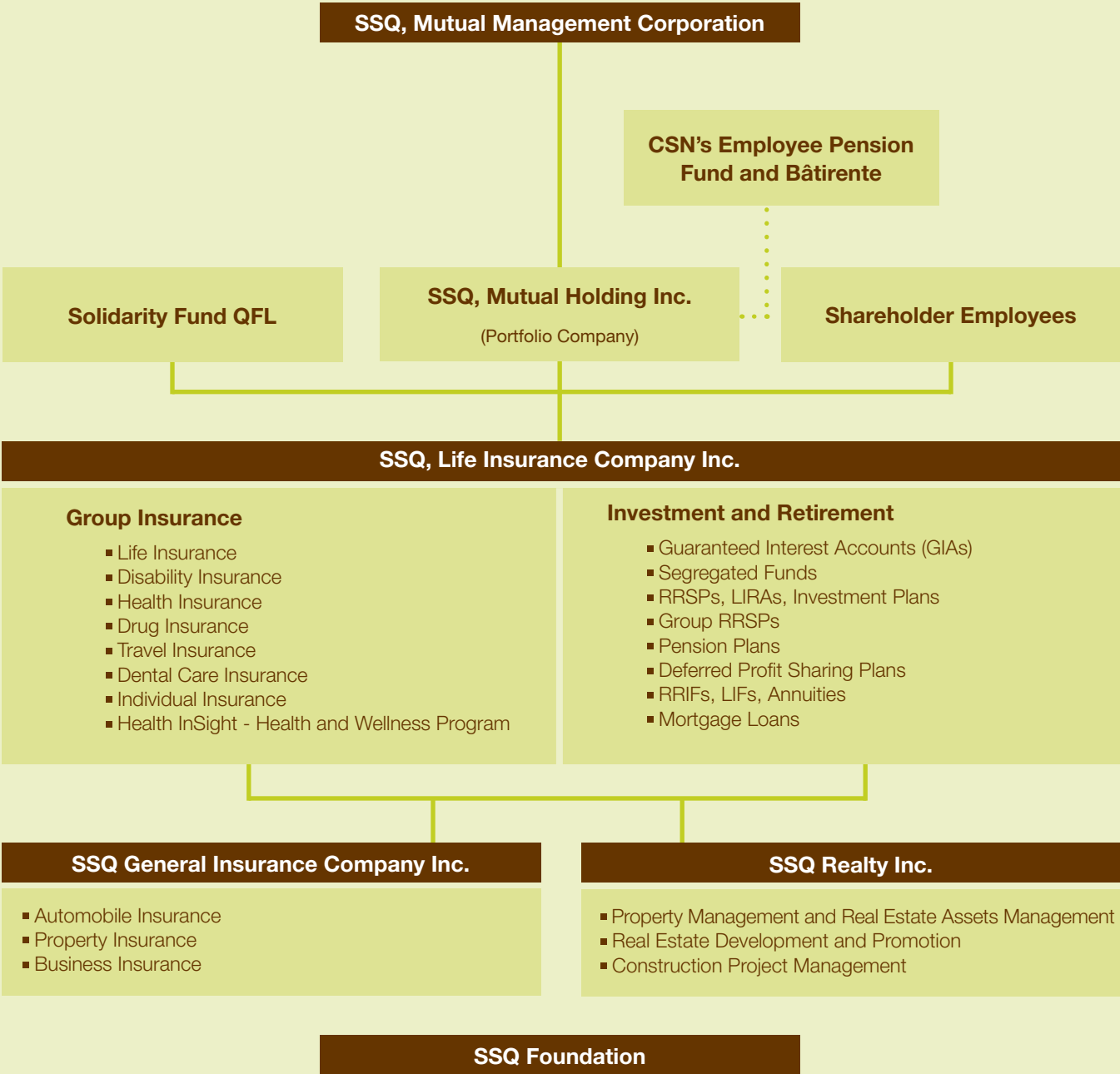
The debentures are unsecured.

Debenture principal repayments will be \$1,693 for the years 2008 and 2009 and \$1,864 for the years 2010 and 2011.

5. RELATED PARTY TRANSACTIONS

During the year, the Company received interest of \$64 (2006 - \$70) from a company subject to significant influence.

Organizational Structure



Contact us

Corporate Secretary

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Enviro100 Paper

This Annual Report is printed on recycled paper.



ECOLOGO

Symbol indicating products meeting Environmental Choice Program standards. The criteria considered are based on air and water emissions, waste, energy consumption, and effective use of recycled fibre.



PROCESSED CHLORINE FREE (PCF)

Symbol indicating certification given to paper processed without chlorine which is given by the Chlorine Free Product Association (CFPA).



RECYCLED

100% Post-Consumer Waste Fibre

Symbol indicating recycled paper that is made from 100% post-consumer waste fibre.



PERMANENT

Symbol indicating alkaline paper capable of resisting aging for more than 100 years in standard warehouse conditions. Criteria and certifications are established by the American National Standard Institute (ANSI).



BIOGAS

Symbol indicating products that use BioGas in production (an alternative “green energy” source produced from decomposing waste collected from landfill sites) to reduce greenhouse emissions and ozone-layer depletion.

