

Solid values...
we can build on



Effie Tomaras
Executive Secretary - Sales and marketing

SSQ, Mutual Management Corporation
2008 Annual Report

SSQ Mutual Management
Corporation

We thrive on mutual trust

2008 Annual Report

SSQ, Mutual Management Corporation

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Mission Statement

SSQ, Mutual Management Corporation is a cooperative organization that is owned by its members who automatically obtain the status of member through their insurance, annuity or investment 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 live and work.

Report from the Board of Directors

Our mutualist values are our strength

At the close of 2008, as a major financial and economic crisis was gathering force and creating turmoil worldwide, SSQ emerged relatively unscathed and on solid financial footing. This demonstrates, once again, that our core values are the reason for our success, our strength and are also what makes us different. Indeed, the values that we have believed in for over 60 years continue to guide us and to influence the actions and decisions we make every day.

Over the years, SSQ, Mutual Management Corporation has remained the steadfast guardian of the principles of mutualism upheld by SSQ Financial Group. The Mutual ensures that these values are communicated to all of the members, delegates, clients and partners of SSQ Financial Group.

It is through SSQ Financial Group that SSQ, Mutual Management Corporation pursues its social and economic objectives on behalf of its members. The Mutual must ensure that all members and clients of SSQ are well protected, particularly in uncertain economic times. It is under these kind of circumstances that it is important to keep clients well informed and to be attentive to their concerns. In October 2008, Management issued a memo and additional information from SSQ's fund manager, not just to SSQ employees, but also to delegates. In December 2008, I gave a presentation on my analysis of the financial crisis to management staff. The same presentation was later offered to all SSQ employees and several of our business partners.

One thing became very clear to me in my analysis. It is thanks to rigorous management standards based on our mission statement and values – integrity being foremost among these values – that SSQ was able to come through this turbulent period with good results and the assets of our members and clients safely protected.

The strategic choices made by SSQ Management, especially in relation to investments, were not for the purpose of obtaining personal profit or generating the highest possible return. Much to the contrary, our fiscal 2008 results clearly show that customer service, which was accorded the highest importance by the Board of Directors back in 1949, remains our top priority today.

Mutualism is alive and well at SSQ

The promotion of mutualist values is one of the principal mandates of SSQ, Mutual Management Corporation, particularly when it comes to employees of SSQ Financial Group. That's why the number of annual mutualism seminars for employees was increased from two to five in 2007. Further, in 2008, the number of participants per seminar was increased to 30 in order to reach more employees per year. In addition, a mini seminar on mutualism has been integrated into the yearly activities related to the Annual General Meeting. This allows new delegates to come away with a better understanding of SSQ and their own role in the mutual organization.

SSQ is proud to actively support the SSQ Youth Co-op for the sixth year in a row. It was created to introduce young people to co-operative and mutualist values as well as to raise awareness about mutualism among SSQ employees.

This year, the Mutual Life Promotion Committee (MLPC), an internal committee made up of employees dedicated to mutualism, was very involved in developing activities to promote mutualist values. One special event the committee sponsored, "Flavours of the World," featured co-op products and was attended by approximately 200 employees. The *HealthWise* Committee and the MLPC worked together with a local food producer to offer organic produce to SSQ employees, demonstrating that even small gestures can have a positive impact on sustainable development. SSQ's head office and Samuel-Holland buildings became pick-up points for organic fruit and vegetable baskets for the 70 employees who participated in the community supported agriculture (CSA) initiative.

The new method recently adopted for designating delegates for the Annual General Meeting continues to be well received. The number of designated delegates in all categories increased from 116 delegates in 2007 to 122 delegates in 2008, with additional efforts placed on designating more delegates from outside the province of Quebec.

Young mutualists

Co-operatives and mutual companies represent some of the major engines of economic development in Quebec. It is important to make younger generations aware that cooperation and mutualism offer interesting alternative ways of doing business. As a means of getting to know the interests of young mutualists in Quebec and providing a voice for their concerns, SSQ, Mutual Management Corporation created a junior member position on its Mutualism Promotion Committee. This committee reports directly to the Board of Directors.

Committee members were pleased to elect Mr. Jean Desgagnés, an administrative systems and procedures analyst in SSQ's Disability Management department, to this position. Mr. Desgagnés is also one of six SSQ employees who are members of the Alliance des jeunes coopérateurs et mutualistes du Québec, which brings together youth aged 18 to 35.

Ms. Annick Drolet, an administrative systems and procedures analyst in SSQ's Health Insurance Management department, was appointed to a junior director position on the Board of Directors of the Coopérative de développement régional, Québec-Appalaches.

Conseil québécois de la coopération et de la mutualité (CQCM)

SSQ continues to actively support the CQCM. Its mission is to contribute to socio-economic development through the promotion of 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, of which SSQ, Mutual Management Corporation is one.

Fondation pour l'éducation à la coopération et à la mutualité

SSQ continues to provide financial support to this Foundation whose mission is to raise youth awareness about co-operative and mutualist principles and values. As one of the founding members of this organization, SSQ continues to keep abreast of the activities of the Foundation and actively participates in some of its committees.

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.

Through SOCODEVI, SSQ shares experience and expertise with organizations from developing countries and lends technical assistance to a number of projects by allowing SSQ employees to participate in field missions. I, myself, had the chance to participate in a mission to Mali in 2007 and I am currently a member of SOCODEVI's Board of Directors.

SSQ organizes meetings between our employees and the representatives and associates of SOCODEVI to exchange ideas and raise awareness about international development. This year, an SSQ employee took part in a mission to Honduras. This provided an excellent opportunity to discover the impact of inter-cooperation on the forest management sector in that country.

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.

Board changes

Mr. Jacques Fortin left the Board of Directors in September 2008. Mr. Fortin was a very active and dedicated director and over a 14-year period contributed to the development and growth of SSQ with a great deal of energy, loyalty and commitment. I know that all of the members of the Board join me in expressing our sincere thanks to Mr. Fortin for his valuable contribution to SSQ.

Given the vacancy that was created with the departure of Mr. Fortin, the Chief Executive Officer of the Association des gestionnaires des établissements de santé et services sociaux, Mr. François Jean, was appointed to the Board. Mr. Jean was welcomed to the Board at its September meeting.

Financial results

The financial results of SSQ, Mutual Management Corporation represent a percentage of the overall results of SSQ, Life Insurance Company Inc. 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 2008 amount to \$7.26 million. This figure is based on the Mutual's share of the results of SSQ, Life Insurance Company Inc., that is \$7.06 million plus investment income of \$0.2 million. After subtracting expenses of \$0.45 million, net income amounts to \$6.81 million.

As at December 31, 2008, member's equity is valued at \$61.5 million, slightly down by 0.3% over the previous year. The Mutual is pleased with the excellent results SSQ, Life Insurance Company Inc. has obtained while balancing the interests of members, the financial position of SSQ's enterprises and our 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 creation of a more just and equitable society for everyone.

I would also like to express my gratitude and thanks to all delegates and Board members for their dedication and interest in the ongoing development of our Mutual. Your commitment to SSQ is a great source of inspiration.



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

■ **Maggy Apollon** - Montreal
Architect
Maggy Apollon, Architecte

Second Vice-Chairman

■ **Carolina Gallo La Flèche** - Montreal
Director - Corporate Social Responsibility
Ovilgy Canada inc.

Norman A. Turnbull - Montreal
Partner – Vice-President of Finances and
Administration
MinQuest Capital Inc.

Claire Bilodeau - Quebec City
Professor
Laval University

Normand Brouillet - Montreal
Union Representative
FEESP – CSN

■ **Martin Gauthier** - Lévis
Director, Human and Financial Resources
Centrale des syndicats du Québec – CSQ

François Jean - Sherbrooke
Chief Executive Officer
Association des gestionnaires des établissements
de santé et de services sociaux

■ **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

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 of the Board
Pierre Genest

First Vice-Chairman and Treasurer
Maggy Apollon

Second Vice-Chairman
Carolina Gallo La Flèche

Corporate Secretary
Hélène Plante

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, 2008 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Mallette*¹

Mallette

L.L.P.

Chartered Accountants

Quebec City, Canada

February 18, 2009

¹ CA auditor permit No. 14443

Consolidated Statement of Income

08

07

For the year ended December 31,
(in thousands of dollars)

REVENUES		
Share in income of a company subject to significant influence <i>(Note 4)</i>	\$ 7,055	\$ 7,713
Other investments <i>(Note 5)</i>	190	179
Changes in fair value on held for trading assets	18	34
	7,263	7,926
EXPENSES		
Interest	428	699
Associations	19	21
Investments	2	2
Others	1	1
	450	723
NET INCOME	\$ 6,813	\$ 7,203

Consolidated Balance Sheet

08

07

As at December 31,
(in thousands of dollars)

ASSETS

INVESTMENTS

SSQ, Life Insurance Company Inc.		
Interest investment (Note 4)	\$ 64,393	\$ 65,220
Note (Note 5)	900	900
	65,293	66,120
Fixed income investments (Note 5)	2,471	3,623
	67,764	69,743
OTHER ASSETS		
Cash	128	110
Interest receivable	54	38
	182	148
	\$ 67,946	\$ 69,891

LIABILITIES

Chattel mortgage (Note 5)	\$ 900	\$ 900
Debentures (Note 5)	5,421	7,114
	6,321	8,014
Interest payable	168	217
	6,489	8,231
MEMBERS' EQUITY	61,457	61,660
	\$ 67,946	\$ 69,891

On behalf of the Board,



Pierre Genest
Chairman of the Board



Maggy Apollon
First Vice-Chairman and Treasurer

Consolidated Statement of Members' Equity

	08	07
For the year ended December 31, (in thousands of dollars)		
RETAINED EARNINGS		
Balance, beginning of year	\$ 59,508	\$ 52,185
Impact of new accounting standards	-	120
Net income	6,813	7,203
Balance, end of year	66,321	59,508
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of year	2,152	-
Impact of new accounting standards	-	5,146
Other comprehensive income of a company subject to significant influence	(7,016)	(2,994)
Balance, end of year ¹	(4,864)	2,152
MEMBERS' EQUITY, end of year	\$ 61,457	\$ 61,660

¹ Consisting of unrealized gains and losses on available-for-sale financial assets of a company subject to significant influence.

Consolidated Statement of Comprehensive Income

	08	07
For the year ended December 31, (in thousands of dollars)		
NET INCOME	\$ 6,813	\$ 7,203
Changes in other comprehensive income of a company subject to significant influence ²	(7,016)	(2,994)
COMPREHENSIVE INCOME	\$ (203)	\$ 4,209

² Net of income taxes of \$3,188 (2007 - \$1,446).

Consolidated Statement of Cash Flows

For the year ended December 31,
(in thousands of dollars)

08

07

OPERATING

Dividends from a company subject to significant influence	\$ -	\$ 1,514
Cashed interest	174	192
Paid interest	(477)	(921)
Investment fees	(2)	(2)
Other fees	(20)	(22)
	(325)	761

INVESTING

Net disposals of investments	1,170	827
Decrease of investment in a company subject to significant influence	866	84
	2,036	911

FINANCING

Debentures principal repayments	(1,693)	(1,693)
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INCREASE (DECREASE) IN CASH

CASH, beginning of year	110	131
CASH, end of year	\$ 128	\$ 110

Notes to Financial Statements

As at December 31, 2008

(in thousands of dollars)

1. Status and Nature of Activities

SSQ, Mutual Management Corporation is formed under the "Act respecting health services and social services, SSQ, Mutual Management Corporation and SSQ, Life Insurance Company Inc." Its main activity is to hold an investment in SSQ, Life Insurance Company Inc. The financial statements of SSQ, Life Insurance Company Inc. are available on www.ssq.ca.

2. Summary of Significant Accounting Policies

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 27.26% (2007 - 27.56%) in a company subject to significant influence, SSQ, Life Insurance Company Inc., is accounted for using the equity method.

Financial instruments

Fixed income investments and cash 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.

Notes to Financial Statements (continued)

As at December 31, 2008

(in thousands of dollars)

3. Changes in Accounting Policies

On January 1, 2008, the Company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA): Section 1535 "Capital disclosures", Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation".

Section 1535 stipulates that the Company must disclose information on its objectives, policies and processes for managing capital.

Section 3862 requires additional disclosure about the nature, extent and manner in which the Company manages risks related to financial instruments. Section 3862 and Section 3863 replace Section 3861 "Financial Instruments - Disclosure and Presentation".

These new standards only affect the disclosures and have no impact on the Company's financial results.

4. Interest in a Company Subject to Significant Influence

	08	07
Interest, beginning of year	\$ 65,220	\$ 56,784
Impact of new accounting standards	-	5,315
	65,220	62,099
Share in income	7,055	7,713
Share in other comprehensive income	(7,016)	(2,994)
Dividends for the year	-	(1,514)
Other items	(866)	(84)
Interest, end of year	\$ 64,393	\$ 65,220

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

	08	07
Share in equity of a company subject to significant influence	\$ 64,226	\$ 64,909
Balance of the goodwill	167	311
Balance of the interest	\$ 64,393	\$ 65,220

Notes to Financial Statements (continued)

As at December 31, 2008

(in thousands of dollars)

5. Financial Instruments

	08	07
Financial assets		
Fixed income investments, rates from 3.85% to 10.50%, maturing between February 2009 and February 2011	\$ 2,471	\$ 3,623
Note, 7.09%, maturing May 1, 2020 ¹	\$ 900	\$ 900
Financial liabilities		
Chattel mortgage, 7.09%, maturing May 1, 2020 ¹	\$ 900	\$ 900
Series A debentures, bearing interest at 5.81% payable each year, repayable from 2009 to 2011 in annual instalments of \$1,351 ¹	\$ 4,053	\$ 5,404
Series B debentures, bearing interest at 5.81% payable each year, repayable from 2009 in annual instalments of \$342 and from 2010 to 2011 in annual instalments of \$513 ¹	1,368	1,710
	\$ 5,421	\$ 7,114
Investment income - interest		
Cash	\$ 4	\$ 3
Fixed income investments	122	112
Note	64	64
	\$ 190	\$ 179

¹ The Company does not establish a fair value for these financial instruments, because they are issued privately.

The debentures are unsecured.

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

Risk management policy

The Company adopted control policies and procedures to manage risks related to holding financial instruments. The board of directors approves the investment policy and its objective is to supervise investment decision-making. Risks related to financial instruments consist of credit risk, liquidity risk and market risk.

Notes to Financial Statements (continued)

As at December 31, 2008

(in thousands of dollars)

5. Financial Instruments (continued)

Credit risk

Credit risk refers to the risk of financial loss for the Company if a debtor does not meet its commitments. The Company is exposed to this risk with its fixed income investments portfolio. It manages credit risk by applying the following control procedures:

- Investment policy guidelines call for the distribution of bonds among various high-quality Canadian issuers whose credit rating by recognized sources is not lower than a BBB rating at the time of issue;
- An overall limit is established for each credit rating grade;
- An overall limit is also established on the investments from an issuer or group of related issuers to reduce the concentration risk;
- The investment portfolio and transactions that occurred are periodically reviewed.

The maximum credit risk corresponds to the carrying value of financial instruments at the balance sheet date.

Quality of the fixed income investments portfolio

	08
Bonds	
Quebec	\$ 1,275
Canadian corporations, per credit rating	
AAA	951
A	245
	<u>\$ 2,471</u>

Liquidity risk

Liquidity risk refers to the risk that the Company may have difficulty generating sufficient cash flows to cover its financial liabilities. The Company manages liquidity risk by matching cash flows from its investments with those required to cover its financial liabilities.

Notes to Financial Statements (continued)

As at December 31, 2008

(in thousands of dollars)

5. Financial Instruments (continued)

Market risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument fluctuate due to market factors. The Company faces three types of market risk: interest rate risk, price risk associated with stock exchanges and foreign exchange risk.

a) Interest rate risk

Interest rate risk is present during periods when rates fluctuate and matching differences are expected in cash flows from assets and for liabilities. In managing its interest rate risk, the Company focuses on matching expected cash flows from assets and for liabilities when selecting its investments. Given the short-term maturity of securities held as at December 31, 2008, the Company considers that a 1% fluctuation in the yield curve would have a negligible impact on results.

b) Price risk associated with stock exchanges

The price risk associated with stock exchanges results from the uncertainty related to the fair value of assets traded on stock exchanges. Since investments consist of fixed-income securities, the Company is not exposed to the price risk associated with stock exchanges.

c) Foreign exchange risk

Foreign exchange risk occurs when transactions denominated in currencies other than the Canadian dollar are affected by unfavourable exchange rate fluctuations. The Company holds no financial instruments denominated in foreign currencies and is thus not exposed to foreign exchange risk.

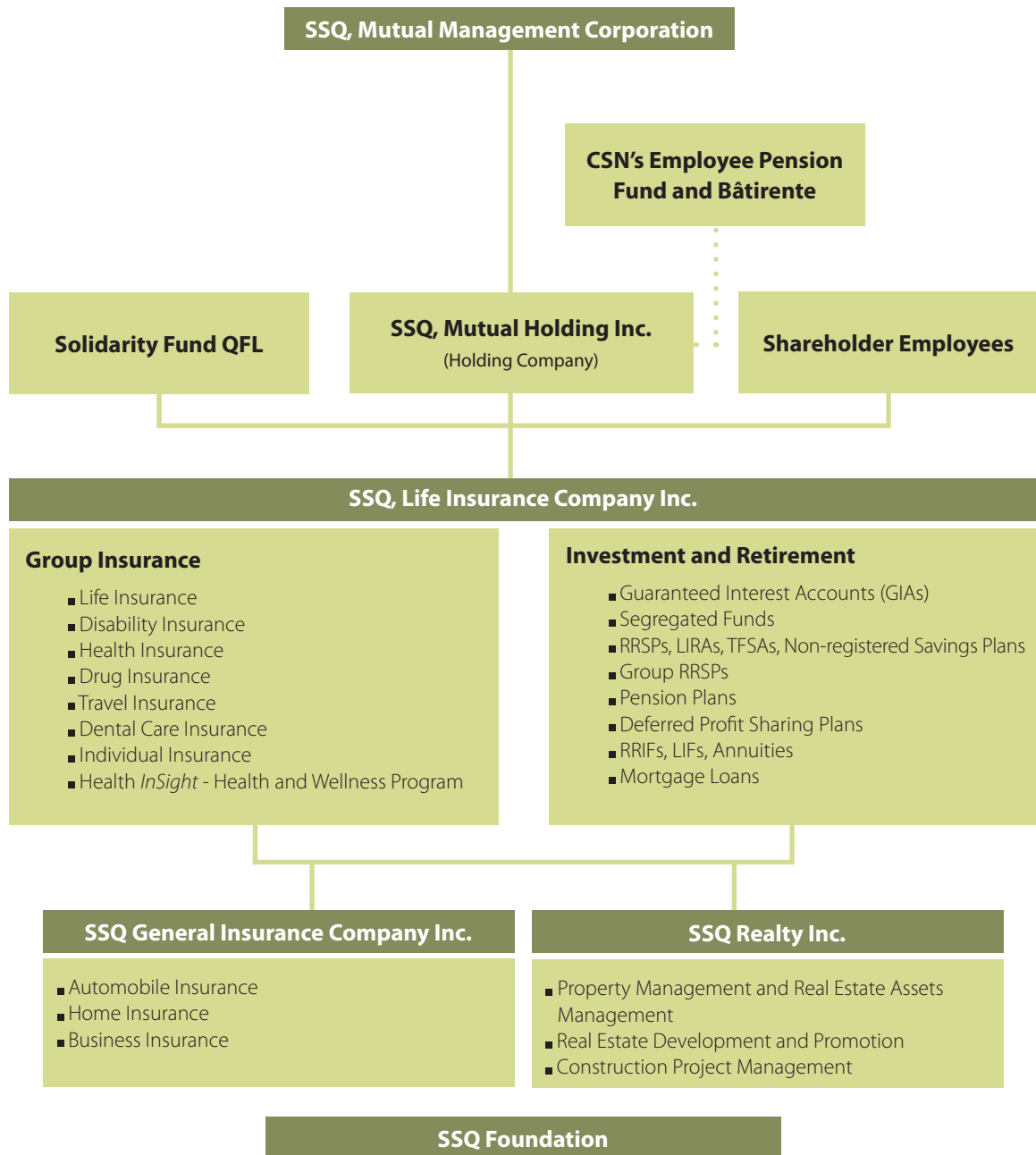
6. Capital Management

In terms of capital management, the Company's objective is to preserve its assets. The Company defines capital as the chattel mortgage, debentures and assets of its members. The Company achieves its objective through careful management of the capital generated by internal growth and by making optimal use of low-cost capital.

7. Related Party Transactions

During the year, the Company received interests of \$64 (2007 - \$64) from a company subject to significant influence.

Organizational Structure



Contact us

Corporate Secretary

SSQ, Mutual Management Corporation

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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

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.

