

SI Financial Group, Inc.
Form DEF 14A
April 05, 2006

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant O
Filed by a Party other than the Registrant Q

Check the appropriate box:

- Q Preliminary Proxy Statement
 Q Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 O Definitive Proxy Statement
 Q Definitive Additional Materials
 Q Soliciting Material Pursuant to § 240.14a-12

SI Financial Group, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- O No fee required.
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N/A

(4) Date Filed:
N/A

[Letterhead of SI Financial Group, Inc.]

April 5, 2006

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of SI Financial Group, Inc. The meeting will be held at Savings Institute Training Center, 579 N. Windham Road (Route 6), North Windham, Connecticut on Wednesday, May 3, 2006 at 9:00 a.m., local time.

The notice of annual meeting and proxy statement appearing on the following pages describe the formal business to be transacted at the meeting. During the meeting, we will also report on the operations of the Company. Directors and officers of the Company, as well as a representative of Wolf & Company, P.C., the Company's independent registered public accounting firm, will be present to respond to appropriate questions of stockholders.

It is important that your shares are represented at this meeting, whether or not you attend the meeting in person and regardless of the number of shares you own. To make sure your shares are represented, we urge you to complete and mail the enclosed proxy card. If you attend the meeting, you may vote in person even if you have previously voted.

We look forward to seeing you at the meeting.

Sincerely,

/s/ Rheo A. Brouillard

Rheo A. Brouillard
President and Chief Executive Officer

SI Financial Group, Inc.
803 Main Street
Willimantic, Connecticut 06226
(860) 423-4581

Notice of Annual Meeting of Stockholders

On Wednesday, May 3, 2006, SI Financial Group, Inc. (the "Company") will hold its annual meeting of stockholders at Savings Institute Training Center, 579 N. Windham Road (Route 6), North Windham, Connecticut. The meeting will begin at 9:00 a.m., local time. At the meeting, stockholders will consider and act on the following:

1. The election of three directors to serve for a term of three years;
2. The ratification of the appointment of Wolf & Company, P.C. as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2006; and
3. Such other business that may properly come before the meeting.

NOTE: The Board of Directors is not aware of any other business to come before the meeting.

Only stockholders of record as of the close of business on March 15, 2006 are entitled to receive notice of and to vote at the meeting and any adjournment or postponement of the meeting.

Please complete and sign the enclosed form of proxy and mail it promptly in the enclosed envelope. Your proxy will not be used if you attend the meeting and vote in person.

BY ORDER OF THE BOARD OF
DIRECTORS

/s/ Sandra M. Mitchell

Sandra M. Mitchell
Corporate Secretary

Willimantic, Connecticut
April 5, 2006

IMPORTANT: The prompt return of proxies will save the Company the expense of further requests for proxies to ensure a quorum. A self-addressed envelope is enclosed for your convenience. No postage is required if mailed in the United States.

SI FINANCIAL GROUP, INC.

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of SI Financial Group, Inc. (“SI Financial” or the “Company”) to be used at the annual meeting of stockholders of the Company. The Company is the holding company for Savings Institute Bank and Trust Company (“Savings Institute”) and the majority-owned subsidiary of SI Bancorp, MHC (“SI Bancorp”). The annual meeting will be held at Savings Institute Training Center, 579 N. Windham Road (Route 6), North Windham, Connecticut on Wednesday, May 3, 2006 at 9:00 a.m., local time. This proxy statement and the enclosed proxy card are being first mailed to stockholders on or about April 5, 2006.

Voting And Proxy Procedure

Who Can Vote at the Meeting

You are entitled to vote your shares of SI Financial common stock if the records of the Company show that you held your shares as of the close of business on March 15, 2006. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in “street name” and these proxy materials are being forwarded to you by your broker, bank or nominee. As the beneficial owner, you have the right to direct your broker on how to vote your shares. Your broker, bank or nominee has enclosed a voting instruction form for you to use in directing it on how to vote your shares.

As of the close of business on March 15, 2006, 12,499,586 shares of SI Financial common stock were outstanding. Each share of common stock has one vote. The Company’s Charter provides that record owners of the Company’s common stock (other than SI Bancorp) who beneficially own, either directly or indirectly, in excess of 10% of the Company’s outstanding shares are not entitled to any vote in respect of the shares held in excess of that 10% limit.

Attending the Meeting

If you are a stockholder as of the close of business on March 15, 2006, you may attend the meeting. However, if you hold your shares in street name, you will need proof of ownership to be admitted to the meeting. A recent brokerage statement or letter from a bank, broker or other nominee are examples of proof of ownership. If you want to vote your shares of SI Financial common stock held in street name in person at the meeting, you will need a written proxy in your name from the broker, bank or other nominee who holds your shares.

Vote By SI Bancorp

SI Bancorp, the mutual holding company for the Company, owned 58.3% of the outstanding shares of common stock of the Company as of March 15, 2006. All shares of common stock owned by SI Bancorp will be voted in accordance with the instructions of the Board of Directors of SI Bancorp, the members of which are identical to the members of the Board of Directors of the Company. SI Bancorp is expected to vote such shares “FOR” each nominee for election as a director and “FOR” ratification of the appointment of Wolf & Company, P.C. as the Company’s independent registered public accounting firm.

Vote Required

The annual meeting will be held only if there is a quorum. A majority of the outstanding shares of SI Financial common stock entitled to vote, represented in person or by proxy, constitutes a quorum. If you return valid proxy instructions or attend the meeting in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted for purposes for determining the existence of a quorum. A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker, bank or other nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

In voting on the election of directors, you may vote in favor of all nominees, withhold votes as to all nominees or withhold votes as to specific nominees. There is no cumulative voting for the election of directors. Directors are elected by a plurality of the votes cast at the annual meeting. "Plurality" means that the nominees receiving the largest number of votes cast will be elected. Votes that are withheld will have no effect on the outcome of the election.

In voting to ratify the appointment of Wolf & Company, P.C. as the Company's independent registered public accounting firm, you may vote in favor of the proposal, against the proposal or abstain from voting. To be approved, this matter requires the affirmative vote of a majority of the votes present in person or by proxy at the annual meeting and entitled to vote. Abstentions will have the same effect as a negative vote.

Because SI Bancorp owns in excess of 50% of the outstanding shares of SI Financial common stock, the votes it casts will ensure the presence of a quorum and determine the outcome of Proposal 1 (Election of Directors) and Proposal 2 (Appointment of Independent Registered Public Accounting Firm).

Voting by Proxy

This proxy statement is being sent to you by the Board of Directors of SI Financial to request that you allow your shares of SI Financial common stock to be represented at the annual meeting by the persons named in the enclosed proxy card. All shares of SI Financial common stock represented at the meeting by properly executed and dated proxies will be voted according to the instructions indicated on the proxy card. If you sign, date and return a proxy card without giving voting instructions, your shares will be voted as recommended by the Company's Board of Directors. **The Board of Directors recommends that you vote "FOR" each of the nominees for director and "FOR" ratification of the appointment of Wolf & Company, P.C. as the Company's independent registered public accounting firm.**

If any matter not described in this proxy statement is properly presented at the annual meeting, the persons named in the proxy card will use their judgment to determine how to vote your shares. This includes a motion to adjourn or postpone the meeting to solicit additional proxies. If the annual meeting is postponed or adjourned, your shares of SI Financial common stock may also be voted by the persons named in the proxy card on the new meeting date, unless you have revoked your proxy. The Company does not know of any other matters to be presented at the meeting.

You may revoke your proxy at any time before the vote is taken at the meeting. To revoke your proxy, you must either advise the Secretary of the Company in writing before your SI Financial common stock has been voted at the annual meeting, deliver a later-dated valid proxy or attend the meeting and

vote your shares in person. Attendance at the annual meeting will not in itself constitute revocation of your proxy.

If your SI Financial common stock is held in street name, you will receive instructions from your broker, bank or other nominee that you must follow to have your shares voted. Your broker, bank or other nominee may allow you to deliver your voting instructions by telephone or by the Internet. Please see the instruction form provided by your broker, bank or other nominee that accompanies this proxy statement. If you wish to change your voting instructions after you have returned your voting instruction form to your broker, bank or other nominee, you must contact your broker, bank or other nominee.

Participants in Savings Institute's ESOP or 401(k) Plan

If you participate in the Savings Institute Bank and Trust Company Employee Stock Ownership Plan (the "ESOP") or if you hold SI Financial common stock through the Savings Institute Profit Sharing and 401(k) Savings Plan (the "401(k) Plan"), you will receive a vote authorization form for each plan that will reflect all the shares that you may direct the trustees to vote on your behalf under the plans. Under the terms of the ESOP, all shares held by the ESOP are voted by the ESOP trustee, but each participant in the ESOP may direct the trustee how to vote the shares of Company common stock allocated to his or her account. Unallocated shares of common stock held by the ESOP and allocated shares for which no timely voting instructions are received will be voted by the ESOP trustee in the same proportion as shares for which the trustee has received voting instructions, subject to the exercise of its fiduciary duties. Under the terms of the 401(k) Plan, you are entitled to direct the trustee how to vote the shares of SI Financial common stock credited to your account in the 401(k) Plan. The 401(k) trustee will vote all shares for which it does not receive timely instructions from participants in the same proportion as the instructions the trustee receives from participants. The deadline for returning your voting instructions to each plan's trustee is April 24, 2006.

Corporate Governance

General

The Company periodically reviews its corporate governance policies and procedures to ensure that the Company meets the highest standards of ethical conduct, reports results with accuracy and transparency and maintains full compliance with the laws, rules and regulations that govern the Company's operations. As part of this periodic corporate governance review, the Board of Directors reviews and adopts best corporate governance policies and practices for the Company.

Code of Ethics and Business Conduct

The Company has adopted a Code of Ethics and Business Conduct that is designed to ensure that the Company's directors, executive officers and employees meet the highest standards of ethical conduct. The Code of Ethics and Business Conduct requires that the Company's directors, executive officers and employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in the Company's best interest. Under the terms of the Code of Ethics and Business Conduct, directors, executive officers and employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Ethics and Business Conduct.

As a mechanism to encourage compliance with the Code of Ethics and Business Conduct, the Company has established procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters. These procedures ensure that individuals may submit concerns regarding questionable accounting or auditing matters in a confidential and anonymous manner. The Code of Ethics and Business Conduct also prohibits the Company from

retaliating against any director, executive officer or employee who reports actual or apparent violations of the Code of Ethics and Business Conduct.

Meetings and Committees of the Board of Directors

The Company and Savings Institute conduct business through meetings of their Boards of Directors and their committees. During 2005, the Board of Directors of the Company met 16 times and the Board of Directors of Savings Institute met 14 times. No director attended fewer than 75% of the total meetings of the Boards of Directors and committees on which such director served.

The following table identifies the Company's standing committees and their members as of March 15, 2006.

Director	Audit Committee	Compensation Committee	Nominating and Governance Committee
Mark D. Alliod	X		
Rheo A. Brouillard			
Robert C. Cushman, Sr.			X
Roger Engle		X*	
Donna M. Evan	X	X	X*
Robert O. Gillard			X
Henry P. Hinckley		X	
Steven H. Townsend	X*		
Number of Meetings in 2005	5	5	1

*Chairperson

Audit Committee. The Audit Committee is responsible for developing and monitoring the Company's internal audit and compliance programs. The committee also receives and reviews all the reports and findings and other information presented to them by the Company's officers regarding financial reporting policies and practices. The Audit Committee selects the independent registered public accounting firm and meets with them to discuss the results of the annual audit and any related matters. Each member of the Audit Committee is independent in accordance with the listing standards of the Nasdaq Stock Market. The Board of Directors has determined that Messrs. Alliod and Townsend are "audit committee financial experts." The report of the Audit Committee required by the rules of the Securities and Exchange Commission is included in this proxy statement. See "*Audit Committee Report.*"

Compensation Committee. The Compensation Committee determines annual grade and salary levels for employees and establishes personnel policies. Each member of the Compensation Committee is independent in accordance with the listing standards of the Nasdaq Stock Market. The report of the Compensation Committee required by the rules of the Securities and Exchange Commission is included in this proxy statement. See "*Compensation Committee Report on Executive Compensation.*"

Nominating and Governance Committee. The Nominating and Governance Committee is responsible for the annual selection of management's nominees for election as directors and for developing a set of corporate governance policies and procedures. Each member of the Nominating and Governance Committee is independent in accordance with the listing standards of the Nasdaq Stock Market. The procedures of the Nominating and Governance Committee required to be disclosed by the rules of the Securities and Exchange Commission are included in this proxy statement. See "*Nominating and Governance Committee Procedures.*"

Attendance at the Annual Meeting

The Board of Directors encourages directors to attend the annual meeting of stockholders. All directors attended the 2005 annual meeting of stockholders.

Directors' Compensation

Cash Retainer and Meeting Fees for Non-Employee Directors. The following table sets forth the applicable retainers and fees that will be paid to non-employee directors for their service on Savings Institute's Board of Directors during 2006.

Quarterly Retainer (for service on SI Financial's Board of Directors)	\$500
Monthly Retainer	\$500
Additional Monthly Retainer for Chairman of the Board:	\$500
Fee per Board Meeting:	
Regular Meeting	\$400
Special Meeting	\$250
Fee per Committee Meeting:	
Loan Committee	\$400
All other Committees	\$250

Non-Employee Director Compensation

The following table sets forth the total cash and equity compensation paid to the Company's non-employee directors for their Board service during 2005.

Director	Cash	Restricted Stock Awards (1)	Stock Options (2)
Mark D. Alliod	\$10,800	—	10,000
Robert C. Cushman, Sr.	19,100	10,000	20,000
Roger Engle	19,850	10,000	20,000
Donna M. Evan	19,050	10,000	20,000
Robert O. Gillard	19,926(3)	10,000	20,000
Henry P. Hinckley	25,600	12,000	25,000
Steven H. Townsend	12,500	10,000	20,000

(1) All restricted stock awards vest in equal installments over five years beginning on the first anniversary of the date of grant, which was May 17, 2005.

(2) All options have an exercise price of \$10.10, which equals the fair market value of our common stock on the date of grant, and vest in equal installments over five years beginning on the first anniversary of the date of grant.

(3) The fees received by Mr. Gillard are deferred pursuant to the arrangement described below.

Director Deferred Fee Agreement. Savings Institute and Mr. Gillard have entered into an agreement that provides Mr. Gillard with the opportunity to defer the receipt of fees earned in connection with his service on the Board of Directors of Savings Institute. Under the terms of the agreement, Mr. Gillard may elect the manner and timing of distributions under the agreement at the time he elects to defer his fees.

Director Retirement Plan. Savings Institute maintains the Director Retirement Plan to provide designated directors with supplemental retirement benefits. Participants are eligible to retire and receive benefits under the plan as of the first of the month following the attainment of age 72 or before age 72 if the director has completed 15 years of service on the board of Savings Institute. Eligible directors who satisfy the retirement criteria are entitled to an annual retirement benefit equal to 70% of the average compensation received by the director for service as a director of Savings Institute during the three calendar years preceding the date on which the director terminated service. The amount is payable in monthly installments beginning with the first month of a director's termination of service and ending on the earlier of: (1) the 120th month following commencement of such monthly payments; or (2) the date on which the director attains age 82. Directors who elect to receive an early retirement benefit will be paid an amount equal to his or her accrued liability balance as of the director's early retirement date. Early retirement benefits will also be paid in monthly installments for the same period of time as normal retirement benefits. If a director dies after he or she has begun to receive payments under the plan, all remaining benefits payable will be paid to the director's beneficiary, heirs or assigns. If a director dies before he or she commences benefits under the plan, the benefit payable to his or her beneficiary, heir or assign will be the accrued liability as of the date of the director's death. No benefits will be paid under the plan if a director is terminated for cause as defined in the plan.

Stock Ownership

The following table provides information as of March 15, 2006 with respect to persons and entities known to the Company to be the beneficial owner of more than 5% of the Company's outstanding common stock. A person or entity may be considered to beneficially own any shares of common stock over which the person or entity has, directly or indirectly, sole or shared voting or investing power.

Name and Address	Number of Shares Owned	Percent of Common Stock Outstanding
SI Bancorp, MHC 803 Main Street Willimantic, Connecticut 06226	7,286,975(1)	