

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, JANUARY 24, 2019

Acting Executive Director Carey called the Commission meeting into session at 2:00 p.m. in the Lottery Office located at One Lawrence Park Complex, Lawrenceville, New Jersey.

COMMISSION MEMBERS PRESENT

Robert D'Anton, Chairman (by phone)
Patrick Toscano, Vice Chairman (by phone)
Gary Terwilliger, Division of Investment Designee
(by phone)
Sirfaraz Piracha, Treasurer's Designee (by phone)

James A. Carey, Jr., Acting Executive Director
Robert E. Kelly, Deputy Attorney General
Craig Ambrose, Governor's Auth. Unit

VISITORS

Erica Helms, Northstar
Foster Krupa, Northstar
Sam Fromkin, Northstar
Sarah Brennan, Northstar
Nicole Lobkowicz, PureRed

STAFF

Regina Arcuri
Fran Edwards
Dean Ialacci
Kalliope Kostis
Charlene Mello
Perna Mukhija
Daniel O'Brian
Richard Pagnani
Debbie Raub
Mary Ann Rivell
Margaret Square
John White
Melissa Williams

After the Pledge of Allegiance, Acting Executive Director Carey announced that the Lottery was in compliance with the provisions of the Open Public Meetings Act and that adequate notice of the meeting had been provided in the manner prescribed by law.

Acting Executive Director Carey requested a motion to approve the minutes of the November 20, 2018 Commission meeting. Vice Chairman Toscano made the motion, which was seconded by Treasurer's Designee Piracha. Acting Executive Director Carey asked if there were any comments and there being none, the motion carried.

DIRECTOR'S REPORT

Acting Executive Director Carey stated that he would provide the report for November's results and activities and then report on the results and activities in December.

Acting Executive Director Carey noted that total ticket sales for the month of November totaled \$260.6 million, which is a 5.2% increase over November 2017 sales. It was down from the very large sales of \$395 million in October when Lottery had the large Mega Millions and Powerball jackpots.

Pick-6 actual sales in the month of November were \$9.92 million. That was an increase of 122.4% compared to November 2017. That was driven by the jackpot that ultimately reached \$30 million and was won in December.

Mega Millions actual sales in the month of November were \$12.35 million, an increase of 28.9% compared to November 2017.

Powerball actual sales in month of November were \$9.8 million, a 10% decrease from November 2017.

November was the second month that Quick Draw Bullseye was open to the entire network of 7,000 retailers. Quick Draw sales were \$11.63 million compared to \$3 million in November 2017. The budgeted amount was \$11.2 million for the month, which was 3.8% over budget.

Acting Executive Director Carey noted that all games total sales were \$1.482 billion for the Fiscal Year to date. Pick-6 had sales of \$41.76 million compared to \$28.87 in November 2017. Mega Millions sales were \$171.93 million compared to \$62.53 million in the prior year. Powerball sales were \$95.1 million, which was a decrease from the prior year where sales were \$110 million. Instant tickets for the year to date had sales of \$754.56 million, which was an increase of 0.8% from the prior year.

The monthly contribution to the pension fund in November was \$76.43 million, which was an increase of 7.5% over the actual contribution in November 2017. The total contribution to the pension fund this year was \$457.55 million, which was 13% over FY18 and 14.3% over budget.

Acting Executive Director Carey reported that Fiscal Year to date profit from lotto games was \$136.1 million or 41.9% of total sales. The profit from daily games except instant games was \$155.4 million or 38.5% of total sales. The profit from instant games was \$162 million or 21.48% of total sales. The total to date FY19 contribution of \$457.55 million, including 30% of the current estimated forfeited prizes, was 31.49% of sales.

Acting Executive Director Carey noted that receipts and deposits for the month of November were \$307.2 million.

Acting Executive Director Carey stated that there were 96 electronic fund transfer (EFT) failures totaling \$451 thousand or 0.15% of total receipts and deposits for the month. The Accounts Receivable Unit settled or closed 93% of EFT failures from October.

Acting Executive Director Carey reported that the balances for all unclaimed prize reserve accounts as of November 30, 2018 totaled \$9.1 million.

Acting Executive Director Carey noted that the current balance in the annuity investment accounts totaled \$122.4 million.

Regarding scratch off games, Acting Executive Director Carey stated that the three top selling non-core games for November were "\$5,000,000 Lucky 7's," which generated \$15.2 million in sales, "\$2,000,000 Lucky 7's," which generated \$7.9 million in sales and "\$1,000,000 Lucky 7's," which generated \$7.1 million in sales.

Total sales for Core and Family Games for the month were more than \$91 million. The "Lucky 7's" family of games had \$34.9 million in sales and the "Crossword" family of games had \$25.2 million in sales.

Acting Executive Director Carey noted that four new games were introduced in November. Those games made up over \$14.5 million in sales, representing 10% of total sales for the month.

There were a number of high tier winners throughout the state in November. On November 4th there was a Jersey Cash 5 winner of \$509,321 in Ocean County. On November 11th, the Jersey Cash 5 drawing had two winners of \$568,916. There was one in Morris County and one in Passaic County. On November 21st, the Jersey Cash 5 drawing had one \$930,793 winner in Mercer County.

Acting Executive Director Carey reported that the highest organic Facebook post engagement was the November 5th sweepstakes post about new holiday scratch offs. That post reached 13,400 people and received 402 likes. The highest paid Facebook post engagement was the November 2nd post about "The Voice" scratch offs and second chance drawings. That post has reached over 199,000 people.

Acting Executive Director Carey noted that the website had 1,132,146 users during the month of November. The one day average number of users was 116,719.

The VIP Club increased its membership with 4,186 new registrations during the month of November. The VIP Club now has an enrollment of 499,451 active members. The Lottery is working with Northstar to purge approximately 30,000 dormant accounts in the VIP Club.

Acting Executive Director Carey noted that all drawings for the month of November were completed with no abnormalities. All on-line pools were closed according to procedures with no abnormalities. All Powerball and Mega Millions Drawings were verified and processed with no abnormalities. The Internal Control System (ICS) was processed for each drawing without any imbalances. All appropriate winning number information was broadcast correctly to all media contacts. All in-house staff received appropriate information via email.

Acting Executive Director Carey reported that the Public Information Office disseminated Lottery news in November that reached more than more than 5 million daily viewers with an estimated advertising value of approximately \$53,318. One of the focuses of the Public Information Office during the month of November was the Pick-6 jackpot, which, by November, was the highest jackpot in Pick-6 since 2004.

Acting Executive Director Carey noted that the Public Information Office and Northstar completed a number of Public Promotional Events completed in November.

Acting Executive Director Carey stated that there were 184 security investigations initiated during the month. There were 240 random field inspections conducted at retailer locations.

Acting Executive Director Carey reported that the Licensing unit received, processed and approved 113 applications. There were 75 licenses issued.

Acting Executive Director Carey noted that the Validations staff received and sorted over 3,485 mailed claim forms during November and processed an additional 361 walk-in claims.

Acting Executive Director Carey stated that there were 27 Social Security number matches. Matches identified possible child support arrearages and overpayments for public assistance. There was one student loan default.

Acting Executive Director Carey noted that there were 15 claims that were processed and garnished because of current and previous matches totaling \$25,239.29. Two of the garnishments went to satisfy child support arrearages, five were for public assistance and there were eight student loan payments.

Acting Executive Director Carey reported that the Retailer/Call Center Services Unit handled over 6,000 incoming calls during the month. They also handled 2,940 winner claim status calls.

Acting Executive Director Carey stated Northstar's personnel count at the end of December was 142 employees, consisting of 102 in Sales, 23 in Marketing and 17 in Administration. Total number of active retailers is 7,141, up from 6,378 on October 1, 2013.

Acting Executive Director Carey then briefly covered some highlights from the Director's Report for January, which discussed results and activities in December.

Acting Executive Director Carey stated that total ticket sales for the month of December totaled \$296.15 million. That is a slight decrease from \$296.82 million in December 2017. There were two \$400 and \$500 million jackpots offered by Powerball and Mega Millions that were won in early January 2018. Those large jackpots were driving sales in December 2017.

Acting Executive Director Carey reported that Pick-6 actual sales in the month of December were \$7.83 million. That was an increase of 83.8% compared to December 2017. That increase was driven by the \$30 million jackpot, which was the 7th largest actual jackpot since 2001.

Acting Executive Director Carey stated that instant sales during December totaled \$170.02 million, which was a 1.5% increase over December 2017. That is the highest total that the Lottery has ever had for a month of sales for instant tickets.

Acting Executive Director Carey reported that machine games total sales for the year to date were \$487.1 million, which was 6.7% higher than the prior year. Pick-6 actual fiscal year to date results were \$49.58 million in sales, which was a 49% increase compared to FY18. Pick-3 sales to date as of December were \$202.91 million, which was a decrease of 3.9% compared to the year before. Pick-4 sales were \$128.53

million, which was a decrease of 4.8% compared to the prior year. Jersey Cash 5 XTRA total sales were \$80.1 million, which was an increase of 2.3%.

Acting Executive Director Carey noted that Mega Millions fiscal year to date sales were \$188.91 million, which was 131.1% increase compared to FY18.

Acting Executive Director Carey stated that Powerball actual fiscal year to date sales were \$109.02 million, which was down 18.9% compared to FY18. Powerball had the \$750 million jackpot in FY17 which drove higher sales in FY17.

Acting Executive Director Carey noted that Quick Draw Bullseye sales year to date were \$60.79 million, which was an increase of 273%. Quick Draw sales were approximately 3% over budget.

Acting Executive Director Carey stated that instant tickets for the year to date were \$924.5 million, which was 0.9% higher than the prior year.

Acting Executive Director Carey noted that daily games sales for the year to date were \$1.411 billion, which was 2.8% higher than the prior year. All games total sales to date were over \$1.7 billion, which was 8.3% higher than FY18.

Acting Executive Director Carey reported that the monthly contribution to the pension fund in December was \$89.01 million, which was a slight decrease from the prior December. The total contribution to date to the pension fund was \$546.5 million, which was 10% higher than FY18 and 11.8% over budget.

Acting Executive Director Carey noted that net proceeds to date exceed \$546 million. Fiscal Year to date profit from lotto games was \$152.5 million or 41.5% of total sales. The profit from daily games except instant games was \$187.7 million or 38.5% of total sales. The profit from instant games was \$199 million or 21.5% of total sales. The total to date FY19 contributions, including 30% of the current estimated forfeited prizes, were 31.67% of sales.

Acting Executive Director Carey stated that receipts and deposits for the month of December were \$244.5 million.

Acting Executive Director Carey reported that there were 77 electronic fund transfer (EFT) failures totaling \$259.5 thousand or 0.11% of total receipts and deposits for the month. The Accounts Receivable Unit settled or closed 89% of EFT failures from November.

Acting Executive Director Carey stated that the balances for all unclaimed prize reserve accounts as of December 31, 2018 totaled \$16.7 million.

Acting Executive Director Carey reported that the current balance in the annuity investment accounts totaled \$123 million.

Acting Executive Director Carey noted that the three top selling non-core games for December were "\$3,000,000 Cash Out," which generated \$13.5 million in sales, "\$5,000,000 Lucky 7's," which generated \$13.5 million in sales and "\$1,000,000 Spectacular," which generated \$9.5 million in sales.

Total sales for Core and Family Games for the month were over \$116 million. The "Lucky 7's" family of games had \$31.9 million in sales and the "Holiday" family of games had \$25.9 million in sales.

Acting Executive Director Carey noted that three new games were introduced in December. Those games made up over \$19.4 million in sales, representing 11% of total sales for the month.

Acting Executive Director Carey stated that there were a number of high tier winners throughout the state in December. On December 11th there was a Jersey Cash 5 winner of \$1.4 million in Middlesex County. On December 28th, there was a Mega Millions winner of \$1 million in Burlington County. On December 29th, the Jersey Cash 5 drawing had one \$778,548 winner in Passaic County. On December 17th, there was a Pick-6 winner of \$29.5 million in Bayonne, Hudson County.

Acting Executive Director Carey reported that the VIP Club increased its membership with 6,041 new registrations during the month of December. The VIP Club had an enrollment of 505,507 active members as of December 31st.

Acting Executive Director Carey noted that during the live drawing on December 17, the Pick-4 number was read incorrectly by the drawing hostess, and the incorrect number was then displayed on a graphic at the conclusion of the drawing. The official and independently validated Pick-4 winning numbers for the drawing were 8-6-0-3. The hostess incorrectly announced that the numbers were 8-6-0-8. The drawing and the official winning numbers were certified by the Lottery's auditors and the correct numbers and prizes were posted to the Lottery's website that night. The Lottery's rules state that the validated winning numbers are controlling in situations such as this.

Acting Executive Director Carey stated that all on-line pools were closed according to procedures with no abnormalities. All Powerball and Mega Millions Drawings were verified and processed with no abnormalities. The Internal Control System (ICS) was processed for each drawing without any imbalances. All appropriate winning number information was broadcast correctly to all media contacts. All in-house staff received appropriate information via email.

Acting Executive Director Carey reported that the Public Information Office disseminated Lottery news in December that reached more than more than 6 million daily viewers with an estimated advertising value of approximately \$64,126.

Acting Executive Director Carey stated that LaFleur's magazine, a major publication in the Lottery and gaming industry, holds a conference every year to discuss sales and marketing. This year at the LaFleur's conference, the New Jersey Lottery won a Fleurry award for the "Licky 7's" commercial. This award was presented in recognition for excellence in Lottery advertising. Acting Executive Director Carey congratulated Northstar and Pure Red for the great work on the commercial.

Acting Executive Director Carey noted that the Public Information Office and Northstar completed a number of Public Promotional Events completed in December. The Lottery had a presence at the Prudential Center for Devils games. The Lottery had a booth at many of the large malls in New Jersey for the holiday season.

There were 110 security investigations initiated during the month. There were 187 random field inspections conducted at retailer locations.

The Licensing unit received, processed and approved 77 applications. There were 71 licenses issued.

Acting Executive Director Carey noted that the Validations staff received and sorted over 3,501 mailed claim forms during December and processed an additional 334 walk-in claims. During the month of December, there were 2,845 claims totaling \$8.8 million that were paid to winners.

Acting Executive Director Carey stated that there were seven Social Security number matches. Matches identified possible child support arrearages and overpayments for public assistance.

Acting Executive Director Carey noted that there were 19 claims that were processed and garnished because of current and previous matches totaling \$21,552.15. Eleven of the garnishments went to satisfy child support arrearages, seven were for public assistance and there was one student loan payment.

Acting Executive Director Carey reported that the Retailer/Call Center Services Unit handled over 6,811 incoming calls during the month. They also handled 2,554 winner claim status calls.

Acting Executive Director Carey stated Northstar's personnel count at the end of December was 141 employees, consisting of 102 in Sales, 23 in Marketing and 16 in Administration. Total number of active retailers is 7,118, up from 6,378 on October 1, 2013.

Acting Executive Director Carey concluded the Director's Report.

Acting Executive Director Carey noted that Governor Murphy nominated three new Commissioners and re-nominated Chairman D'Anton to serve on the Lottery Commission. He thanked Chairman D'Anton,

Vice Chairman Toscano and the State representatives for making themselves available to take part in these meetings.

Acting Executive Director Carey asked if there were any questions or comments.

There were no questions or comments about the Director's Report.

NEW BUSINESS

Acting Executive Director Carey introduced two new instant games.

Acting Executive Director Carey certified that consideration for each game included, but was not limited to, intended target market, product family, seasonal factors, launch plans, overall market strategy, sales goals, prior experience, current market trends and market place demands. Additionally, as part of our overall responsible gaming initiatives, these games have been reviewed to identify any problematic elements that could present a risk to vulnerable problem gamblers.

Acting Executive Director Carey requested a motion to approve the instant ticket game rules for "Double Match" and "Double Dollar Bingo." Vice Chairman Toscano made the motion which was seconded by Chairman D'Anton. Acting Executive Director Carey asked if there were any comments and there being none the motion carried.

PUBLIC COMMENT

There was no Public Comment.

EXECUTIVE SESSION

There was no Executive Session.

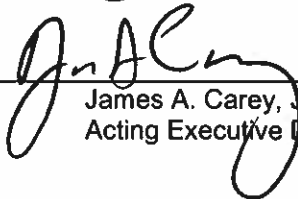
ADJOURNMENT

Acting Executive Director Carey asked for a motion to adjourn the Public meeting. Vice Chairman Toscano made the motion which was seconded by Chairman D'Anton. The motion carried.

I HEREBY CERTIFY that the foregoing is a true and correct copy of the minutes of the New Jersey Lottery Commission meeting held on January 24, 2019.

IN WITNESS WHEREOF, I hereby set my hand on

the 23rd day of May, 2019.


James A. Carey, Jr.
Acting Executive Director