

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, MAY 22, 2018

Chairman Ragazzo called the Commission meeting into session at 10:00 AM in the Lottery Office located at One Lawrence Park Complex, Lawrenceville, New Jersey.

COMMISSION MEMBERS PRESENT

Frank Ragazzo, Chairman
Robert D'Anton, Commissioner (by phone)
Christopher McDonough, Commissioner (by phone)
Dini Ajmani, Treasurer Designee (by phone)

John M. White, Acting Executive Director
Robert E. Kelly, Deputy Attorney General

STAFF

Regina Arcuri
Denise Coleman
Michael DeCheser
Megan Mazzoni
Charlene Mello
Perna Mukhija
Richard Pagnani
Debbie Raub
Mary Ann Rivell
Margaret Square

VISITORS

Russ Knapp, Northstar
Foster Krupa, Northstar
Erica Helms, Northstar
Sarah Brennan, Northstar
Sam Fromkin, Northstar
Jon Renner, Brushfire
Desiree Hardy, Brushfire
Chris Havard, Ferrara
Todd C. Barretta

After the Pledge of Allegiance, Chairman Ragazzo 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.

Chairman Ragazzo requested a motion to approve the minutes of the April 17, 2018 Commission Meeting. Commissioner McDonough made the motion, which was seconded Chairman Ragazzo. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Acting Executive Director White reported that during the month of April sales for the month were over \$272 million. It was 3.3% above the previous April but it is below the budgeted number for the month by 6.4%. This was largely driven by the lotto games. There were lower jackpots than there were in the month of April. The jackpot games are down, which drove sales down a little. Year to date sales of all games is in excess of \$2.744 billion. This is very good compared to through April of 2017. It's 3.9% above the sales figure for that period. For the year, the Lottery is .7% above budget. Again, this is driven by the jackpot games, which have had high jackpots throughout much of the year. The jackpot games are running 23% above the same amount for FY17 and 20% above the budgeted amount.

Acting Executive Director White stated that the contribution for the month of April was over \$78 million. This is 2.3% above April 2017. It is, however, below our budgeted amount for the month. Year to date, our contributions are in excess of \$825 million, which is 6% above FY17 and 0.7% above budget. The jackpots, compared to the same period last year, are generally higher. The Pick-6 average was \$6.6 million compared to an average jackpot of \$3.1 million. The average jackpot for Mega Millions was \$152 million for the year compared to \$78 million for the same period last year. Power Ball jackpots average \$186 million this year versus \$141 million last year.

Acting Executive Director White noted that Fiscal Year 2018 profits from lotto games are at 40%. The profit from daily games is at nearly 40%. The profit from instant games is just under 22%. Total to date FY18 contributions, including 30% of the current estimated forfeited prizes, is in excess of 31% of sales. Additional forfeited prizes will be included in future transfers as audits are completed.

Acting Executive Director White reported that receipts and deposits for the month were \$870 million. This is a bit of an anomaly because included in the receipts was the over \$300 million that was paid to New Jersey from all the states that participate in Mega Millions. New Jersey had the winner at the end of March and the settlement was during April. Those funds were transferred to the Lottery for payment to the winner of that jackpot.

Acting Executive Director White noted that there were 92 electronic fund transfer (EFT) failures totaling \$284 thousand or 0.03% of total receipts and deposits for the month. The Accounts Receivable Unit settled or closed 94% of EFT failures from March. Field Account Adjusters visited 302 retailers and collected over \$245 thousand.

Acting Executive Director White stated that the balances in the unclaimed prize reserve total \$28.8 million. Once the audits and final settlements from other states on the multi-state games are completed, these funds will be moved into the contribution.

Acting Executive Director White reported that the balance in the annuity investment accounts were \$124 million. The S&P ratings have not changed since last month.

Acting Executive Director White stated that the three top selling non-core games for April generated \$33 million for the month.

Acting Executive Director White reported that the Core and Family Games exceeded \$90 million.

Acting Executive Director White noted that the Lottery introduced four new instant games during April and these games made up \$13.8 million in sales.

Acting Executive Director White stated that there were three new games presented for Commission rule approval and subsequent vendor production.

Acting Executive Director White noted that there are now 808 retailers selling Quick Draw.

Acting Executive Director White stated that the Jersey Collect 'N Win monthly second chance promotion for draw games tickets continued. There have been ten grand prize winners each winning \$50,000. Over 35,500 players are registered to date for this promotion. There were almost 950,000 total entries made in April.

Acting Executive Director White reported that there were five Fast Play games closed in April. The Lottery currently has 25 Fast Play games available to players.

Acting Executive Director White noted that there were a number of high tier winners throughout the state in April. The April 4 Jersey Cash 5 XTRA drawing had one \$71,838 winner from Gloucester County. The April 6 Jersey Cash 5 XTRA drawing had two \$87,373 winners. There was one in Middlesex County and one in Ocean County. The April 7 Powerball drawing had one \$50,000 winner in Monmouth County. The April 16 Jersey Cash 5 XTRA drawing had one \$154,305 winner in Bergen County. The April 18 Jersey Cash 5 XTRA drawing had a \$161,090 winner in Ocean County. The April 19 CASH4LIFE drawing had one \$1,000 a Week for Life winner in Passaic County. That is a second tier prize on that game. The April 23 Quick Draw drawing had one \$10,000 winner in Ocean County. The April 24 Jersey Cash 5 XTRA drawing had two \$287,005 winners. There was one in Monmouth County and one in Passaic County. The April 28 Powerball drawing had one \$50,000 winner in Morris County.

Acting Executive Director White stated that the Lottery, through its relationship with Northstar, continues to have a strong presence on the major social media platforms.

Acting Executive Director White noted that the VIP Club now has 464,811 active members.

Acting Executive Director White reported that all drawings for the month of April were completed with no abnormalities.

Acting Executive Director White noted 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.

Acting Executive Director White stated that the Public Information Office disseminated Lottery news in April that reached more than 48 million daily viewers with an estimated advertising value of nearly \$446,444. Contributing to these results were the news releases associated with the \$533 Million Mega Millions winner at the end of March. The drawing was on March 30 but all the news that followed was in the early part of April. There was also a press release for the \$1,000 a week CASH4LIFE second tier winner that generated a lot of media interest.

Acting Executive Director White reported that the Public Information Office issued the routine Winner Awareness press releases throughout the month.

Acting Executive Director White noted that all press releases, winner stories and photos were provided to the Lottery's business partners at Northstar for the social media team to use as content for the website and social media.

Acting Executive Director White stated that the top story, again, was Richard Wahl of Vernon winning the \$533 million Mega Millions jackpot. The press conference associated with that was held on April 13.

Acting Executive Director White stated that the Public Information Office continues to regularly monitor Federal, New Jersey State and other state's legislative websites for any lottery related Legislative activities. Staff continued to work with the Executive Director of the Council on Compulsive Gambling of New Jersey regarding gambling related legislation.

Acting Executive Director White reported that in the Responsible Play Program, staff worked with Treasury Fiscal and Resources Unit to process payment for the New Jersey Lottery sponsorship of the 32nd National Conference on Problem Gambling scheduled in July.

Acting Executive Director White noted that there were four Speaker's Bureau Events completed in April. There are four scheduled for May.

Acting Executive Director White reported that there were various Public Promotional Events held in April. The Lottery continued its sponsorship at the Prudential Center in Newark at various events, as well as at the Red Bulls arena. In May the Lottery will have a presence at the Red Bulls arena and at the Hoboken Art & Music Festival and at the Belmar Seafood Festival.

Acting Executive Director White stated that there were 161 security investigations initiated during the month. There were 231 random field inspections were conducted at retailer locations.

Acting Executive Director White reported that the Licensing unit received and processed 75 applications.

Acting Executive Director White stated that due to the Division's efforts, along with the Department of Taxation Joint Investigation Project, there was a total of \$26,656.91 in arrearages collected in April. Year to date, the Lottery has collected \$210,002.50.

Acting Executive Director White reported that the Lottery's IMS Department continued to work with the Security Department and DORES on the Logical System Architecture, which is the case management system that the Security Investigators will be utilizing.

Acting Executive Director White noted that for the Mega Millions and Powerball pool closings, the internal control system will print a hash barcode that will be scanned into the Multi-State Lottery system as an extra step for verification of sales data. Scanners were purchased and tested and staff trained to support this process.

Acting Executive Director White stated that the IMS Department has completed its work in setting up the new Pension Fund L database to support the transfer of revenues that will help fund pensions consistent with Chapter 98 of the Public Law of 2017.

Acting Executive Director White noted that the Validations Department entered 4,934 claims into the CAP claims tracking system and also edited 4,321 claims. During the month, there were 4,484 claims totaling \$17 million that were paid to winners, including annuity payments.

Acting Executive Director White stated that there were 16 claims that were processed and garnished because of current and previous matches totaling \$15,792.42. Since inception in 1992, the Lottery has collected over \$8.2 million in arrearages, low income home energy assistance, food stamps and overpayments of welfare, student loans and other SOIL programs.

Acting Executive Director White reported that the Retailer/Call Center Services Unit handled 6,563 incoming calls during the month.

Acting Executive Director White noted that the Warehouse unit received nearly 5,000 packages and special deliveries during the month. Staff also worked very diligently to set up the main atrium area at Lottery Headquarters for the Mega Millions press conference held on April 13.

Acting Executive Director White stated that the Facilities unit conducted several preventive maintenance inspections and repairs.

Acting Executive Director White reported that the total number of active retailers is 7,126, up from 6,378 on October 1, 2013.

Acting Executive Director White noted that the redeveloped Responsible Gaming training went out to all Northstar employees to complete.

Acting Executive Director White noted that Northstar's sales team continued to focus on the recruiting of new Quick Draw retailers and driving Quick Draw sales higher by focusing on building weekly sales. Northstar continues to post jackpots as a reminder to players. Northstar has also been doing various promotions for instant games and Pick-6.

Acting Executive Director White reported that this concludes the Director's Report.

Acting Executive Director White stated that while it didn't happen in April, it is newsworthy nonetheless, the Lottery had the one Powerball winner on May 19. The annuity value was over \$315 million. The cash value was \$183 million. The ticket was sold at a Shoprite in Hackensack. Maryann Rivell, our Public Information Officer, Joe Oleszkiewicz from the Security Department, and Acting Executive Director White presented the \$30,000 bonus check to the retailer for selling the winning ticket. They are a very good retailer. The questions asked were how New Jersey was so lucky to have two wins like this in a row. It doesn't happen often but it was really good that New Jersey had this jackpot following up so closely on the other one. There will be more to report on that at next month's meeting.

Chairman Ragazzo asked if there were any questions or comments.

Chairman Ragazzo stated as a follow up to that it was reported in the paper that the owner of the Shoprite was donating his \$30,000 to charities, which is a very nice gesture.

Chairman Ragazzo stated that it is uncanny that after 10 months we are so close with .7% over budget. We are only \$6 million away from what was projected over a year ago. Congratulations on the budget being right on target. Good job to all.

Acting Executive Director White stated that we do have additional monies from unclaimed prizes in reserve but we hold them back until the audit is completed.

Chairman Ragazzo stated that if we just do the average, which is about \$82 million, for the next two months, we'll have \$980 million going to the state.

Acting Executive Director White stated that the reserve will take us to the budgeted amount.

Chairman Ragazzo requested a motion to approve the Director's Report. Commissioner McDonough made the motion which was seconded by Chairman Ragazzo.

NEW BUSINESS

Acting Executive Director White 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.

Chairman Ragazzo requested a motion to approve the instant ticket game rules for "Money Roll," "Money Match," "Bingo Times 10," "Hot Riches," "\$20,000 Lucky 7's," "\$200,000 Lucky 7's," "\$1,000,000 Lucky 7's" and "\$2,000,000 Lucky 7's." Commissioner D'Anton made the motion which was seconded by Commissioner McDonough. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Acting Executive Director White asked Deputy Director of Administration and Compliance, Megan Mazzoni, to discuss the FAST PLAY strategy.

Deputy Director Mazzoni stated that the Lottery originally launched the FAST PLAY product line in August 2015. The product line will be refreshed as a progressive product line on June 25, should all the rules pass. Instead of having a big catalogue of 24 or 25 games available, there will be a catalogue of 12 games available and all 12 games will contribute to the same progressive jackpot. The progressive jackpot that was part of the "Jersey Jackpot" family of games is very popular with our players. The starting progressive jackpot will move from \$1,000 to \$10,000 so that is a higher dollar proposition for the public. The price points will be expanded so there will now be a \$3 offering that can win 30% of the jackpot. This will keep the catalogue a little smaller for the retailers and the public and hope to grow the progressive jackpots so there are more big winners in the FAST PLAY category.

Chairman Ragazzo requested a motion to approve the on-line game rules for FAST PLAY. The game rules for approval are "5X the Cash Progressive," "10X the Cash Progressive," "25X the Cash Progressive," "50X the Cash Progressive," "\$1 Jersey Jackpot Progressive," "\$2 Jersey Jackpot Progressive," "\$5 Jersey Jackpot Progressive," "\$10 Jersey Jackpot Progressive," "Bingo Progressive," "Cashword Progressive," "Lucky 7's Progressive" and "Blackjack Progressive." Chairman Ragazzo made the motion which was seconded by Commissioner McDonough. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Chairman Ragazzo requested a motion to approve the updated general rules governing the New Jersey Instant Lottery games. Commissioner McDonough made the motion which was seconded by Chairman Ragazzo. Chairman Ragazzo asked if there were any comments.

Commissioner McDonough asked for clarification on which section specifically was updated in the general rules governing the New Jersey Instant Lottery games.

Deputy Director Mazzoni stated what was updated is in Sections 3 and 9. They changed some of the pack sizes for the tickets so Section 3A was updated to reflect that. Also in sections 3 and 9, the top tier selling section mentions the cashing bonuses. That needed to be updated because for the lower top prize games it was proving problematic for our system to handle. There were so many top tier bonuses but they were small dollar amounts. The retailer received their selling bonus plus their cashing commission, which was generally totaling more than the top prize bonus. The rules hadn't been updated in quite some time so we just refreshed them and updated that section.

Chairman Ragazzo asked if there was further discussion and there being none the motion carried.

EXECUTIVE SESSION

There was no Executive Session.

PUBLIC COMMENT

Chairman Ragazzo stated that he had a public comment. First he wanted to thank Regina Arcuri, Mary Ann Rivell and Tom Weber who came in on the Saturday before Easter.

Chairman Ragazzo also wanted to recognize Draw Manager, Regina Arcuri, who was commended by the Mercer Women's Group. There was a press release in the newspaper. He wanted to congratulate her for her volunteer work. He asked Regina Arcuri to explain.

Regina Arcuri thanked Chairman Ragazzo and stated that she was honored by Mercer County. She received the award for the 2018 Mercer County Woman of Achievement. That was because of her community service on her volunteer work, her military appointments and her support of Joint Base McGuire-Dix-Lakehurst. She thanked him again for acknowledging it.

Chairman Ragazzo congratulated Regina Arcuri again and wished he had read it previously.

Acting Executive Director White wanted to add that Regina is the consummate professional. Since he became Acting Executive Director, he goes through the Director's Report about all draws being completed without fail and that there were no pool closing issues. That is because of her leadership with working with the various professionals around the Lottery that work the draws at night. She makes his job easier as Acting Director. Between her, Michael DeCheser and the draw team, they resolve issues that without her, he would probably get a call in the middle of the night and would have to drive to the Lottery to deal with the situation. She is part of the reason why month after month there is no issue there.

Treasurer's Designee Ajmani and Commissioner D'Anton congratulated Regina Arcuri.

ADJOURNMENT

Chairman Ragazzo asked for a motion to adjourn the Public meeting. Commissioner McDonough made the motion which was seconded by Commissioner 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 May 22, 2018.

IN WITNESS WHEREOF, I hereby set my hand on

the 22 day of June, 2018.


John M. White
Acting Executive Director