

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, NOVEMBER 22, 2016

Chairman Ragazzo called the Commission meeting into session at 10:00 AM in the Lottery's Business Continuity Site located at 2615 Route 130 South, Cranbury, New Jersey.

COMMISSION MEMBERS PRESENT

Frank Ragazzo, Chairman
Patrick Toscano, Vice Chairman
Robert Slater, Commissioner (by phone)
Matthew Spadaccini, Treasurer Designee

STAFF

Duane Daniels
Karen Kokoll
Megan Mazzoni
Richard Pagnani
Debbie Raub

Carole Hedinger, Executive Director
John Custodio, Deputy Executive Director
Christin Deacon, DAG

VISITORS

Joe Perone, Treasurer's Office
Willem Rijkssen, Treasurer's Office

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 October 25, 2016 Commission Meeting. Vice Chairman Toscano made the motion, which was seconded by Commissioner Slater. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Executive Director Hedinger stated that sales lagged in October over the prior year. We are still well ahead of budget as far as sales and revenue is concerned. We are going into our busy season now. We didn't have any major jackpots rolling in October but we do have a very nice Powerball roll going on right now. We should see some very good results through the end of this calendar year

Executive Director Hedinger reported that the highlight of the month was the Jersey Cash 5 results. That game is up over 16%. We started the Jersey Cash 5 XTRA in the beginning of the month and we have seen some very positive results.

Executive Director Hedinger noted that the profit from lotto games for Fiscal Year 2017 is more than 40% overall. Combined with instant games, we are slightly over the 30% margin for revenue.

Executive Director Hedinger stated that receipts and deposits for the month were \$175.9 million.

Executive Director Hedinger noted that there were 112 electronic fund transfer (EFT) failures totaling \$420.7 thousand for the month. The Accounts Receivables Unit settled or closed 78% of EFT failures from September. Field Account Adjusters visited 284 retailers and collected \$225.3 thousand.

Executive Director Hedinger reported that at the end of October the cumulative outstanding accounts receivable balance is \$3.4 million. The total amount of bad debt reserve is \$2.6 million.

Executive Director Hedinger stated that the balance for all unclaimed prizes is almost \$10 million.

Executive Director Hedinger noted that the balance in the annuity investment accounts is \$152.2 million. There have been no changes in the S&P ratings since last month.

Executive Director Hedinger reported that the three top selling non-core games were "\$5,000,000 Cash Extravaganza," "Platinum Diamond Spectacular" and "1,000,000 Spectacular." They made up 23% of instant sales for October.

Executive Director Hedinger stated that the Core and Family Games for the month made up 59% of our instant sales.

Executive Director Hedinger noted that the four new instant games we introduced in October contributed about 8% of our total sales.

Executive Director Hedinger reported that the advertising of the "\$20,000 Hollywood Cash Fantasy" instant game ran through the month of October.

Executive Director Hedinger stated that as far as our Online Product activities were concerned, we added the XTRA feature to the Jersey Cash 5 game at the beginning of the month. For an extra dollar, the XTRA multiplies non-jackpot prizes up to five times and adds \$2 prize for matching two numbers. That has shown a good result, daily participation has been over 14%. The game did 16.5% over the same month in the prior year.

Executive Director Hedinger noted that we had four high-tier winners in October that were all in the Jersey Cash 5 game. That is a very popular game among players.

Executive Director Hedinger reported that our social media continues to grow.

Executive Director Hedinger stated that our Lottery Consumer and Retailer Websites Support services responded to 128 email requests and inquiries from VIP Club members. There were over one million users on our website during the month.

Executive Director Hedinger noted that the VIP Club increased its membership with 3,053 new registrations during the month. We now have 379,375 active members.

Executive Director Hedinger reported that the Million Dollar Replay game has recorded over 45 million entries since its inception.

Executive Director Hedinger stated that we are planning our Million Dollar Replay event in March. Last year was the first time we live streamed the event. We are going to promote that heavily and attempt to get greater participation this year.

Executive Director Hedinger reported that all drawings for the month of October were completed with no abnormalities.

Executive Director Hedinger noted that all of our pools were closed according to procedures with no abnormalities.

Executive Director Hedinger stated that as far as Media Relations were concerned we received some great coverage from CBS in New York. They interviewed four NJ Lottery winners and retailers and customers at two locations for a very positive section on their 5 o'clock news.

Executive Director Hedinger noted that we issued the usual number of press releases in October. We flood the press with information about ourselves as much as we can.

Executive Director Hedinger reported that our Top Reactive Social Media stories posted in October were about people with unique stories to tell.

Executive Director Hedinger stated that we continue to monitor Federal and State legislation and other states' legislation as it might affect us. The entire industry is especially interested in what may be happening on the Federal level as far as sports betting is concerned. It's an unknown factor on how it may impact lotteries.

Executive Director Hedinger noted that we are getting ready for our Holiday Gifting press conference in the beginning of December. We do this each year in connection with the Council on Compulsive Gambling New Jersey (CCGNJ) to point out that we do not encourage gifting of lottery products to children. That is part of our commitment to responsible play.

Executive Director Hedinger reported that we have achieved the highest level, Level 4, accreditation from the World Lottery Association (WLA) for responsible gaming. We have been working on that project since 2012 when we joined the WLA. We worked very hard to get to Level 4 and we achieved it finally. We are the third US lottery to achieve Level 4. California and Indiana are the other two states. This indicates the level of commitment that we have always had to the principles of responsible gaming.

Executive Director Hedinger stated that there were a number of Speaker's Bureau Events completed in October.

Executive Director Hedinger noted that there were a large number of Public Promotional Events completed in October. There are 18 scheduled for November. Many of them are promotional events that promote Jersey Cash 5 XTRA.

Executive Director Hedinger reported that there were 179 security investigations initiated during the month.

Executive Director Hedinger stated that 122 random field inspections were conducted at retailer locations.

Executive Director Hedinger noted that the Licensing staff received and processed 72 applications and 63 licenses were issued.

Executive Director Hedinger reported that at the end of October, there were 7,882 licenses issued.

Executive Director Hedinger reported that for this fiscal year, we have collected a total of \$11,401.65 through our efforts with the Division of Taxation.

Executive Director Hedinger stated that we installed a wireless network at the Business Continuity Site in order to have connectivity for our laptops in case of a crisis.

Executive Director Hedinger noted that we continue to work with DORES on the Active Directory migration and other normal IT efforts that take place on a daily basis.

Executive Director Hedinger reported that the Validations staff received and sorted 4,491 claim forms during the month of October with an additional 431 walk-in claims. They entered 4,815 claims into the system and 5,052 were edited. During the month, 4,593 claims totaling over \$20 million were paid to winners, including annuity payments.

Executive Director Hedinger stated that there were 37 Social Security number matches in October. Twenty seven claims were processed and garnished because of current and previous matches. Six claims were released from previous matches. Since inception, we have collected more than \$7.6 million for arrearages.

Executive Director Hedinger noted that the Retailer/Call Center Services Unit handled 4,718 incoming calls during the month. They made 80 outgoing calls to retailers. There were 242 requests for assistance with instant pack status changes. They handled 1,431 winner claim status calls during the month of October with 165 answered at the front desk.

Executive Director Hedinger reported that the Retailer/Call Center handled its first transfer for a customer with a Problem Gambling issue. Earlier in the year we set up the telephones in the 800 room to have a button that allows a caller to be transferred to the Council on Compulsive Gambling's 1-800-GAMBLER number. We received a call from a player that sought help and our call center employee took the call and transferred the person over to the Council. They were trained on what to do as part of our Level 4 application, and this ability to transfer a call was a key part of our Level 4 application.

Executive Director Hedinger stated that the Warehouse staff accepted 6,000 deliveries during the month. Staff processed game end returned packs. We have a new supervisor in the warehouse. Our previous supervisor retired last month and one of our employees was promoted to the supervisory position in the warehouse.

Executive Director Hedinger noted that our Facilities coordinator worked with Nexus to ensure that the facility was kept in good working order. There were several preventative maintenance inspections and repairs conducted at Lottery headquarters.

Executive Director Hedinger reported that as part of Northstar's social responsibility, they continue to go into areas where after school facilities are in need of improvement. That includes cosmetic improvement to providing and installing computers and printers for the afterschool students to be able to work on modern equipment. Those are very good projects that have been going on for a few years.

Executive Director Hedinger stated that Northstar's Veteran's Home renovation project is moving forward. Lottery proceeds benefit the three veteran's homes in Vineland, Paramus and Menlo Park. They are fantastic facilities for our veterans. Northstar is going into all three facilities and upgrading a common area room for the benefit of those residents. As good as these facilities are, it's great to see that IGT is going to go in and upgrade the common area for the benefit of those residents.

Executive Director Hedinger reported that this concludes the Director's Report.

Chairman Ragazzo asked if there were any questions or comments.

Commissioner Slater asked if we had press coverage on the Level 4 achievement and a discussion was held.

Vice Chairman Toscano asked why the other 47 states do not get the Level 4 achievement.

Executive Director Hedinger responded that the National Association of State and Provincial Lotteries (NASPL) has a responsible gaming segment in their organization. The North Carolina Lottery has been the leader in getting that established and getting all the best practices and a certification program in the US lotteries, all of whom are members of NASPL. Not every lottery is a member of the World Lottery Association. If you are not a member, you cannot go through this process. Responsible gaming has been very big in the World Lottery Association (WLA) and is now emerging and growing to becoming very big on the national stage as well.

Chairman Ragazzo asked if part of responsible gaming is that gifting to minors is frowned upon and a discussion was held.

Commissioner Slater commented that the "\$5,000,000 Cash Fortune" instant game has a 72% pay out, with a projected \$258 million in sales and we should keep our eye on the ball with it and a discussion was held.

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

NEW BUSINESS

Executive Director Hedinger 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 Bags" and "\$5,000,000 Cash Fortune." Vice Chairman Toscano made the motion which was seconded by Commissioner Slater. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Executive Director Hedinger stated while she was at the World Lottery Association business meeting in Singapore, we were awarded a WLA "Best Innovation Responsible Gaming" award for innovation in our Level 3 application. We should also be receiving one for achieving Level 4. The Council identified certain areas that have high incidents of problem gambling and we put our responsible play messages heavier in those areas. That was an innovation that the WLA was very impressed with. We received an award for it.

PUBLIC COMMENT

There was no Public Comment.

EXECUTIVE SESSION

There was no Executive Session.

ADJOURNMENT

Chairman Ragazzo adjourned the meeting.

I HEREBY CERTIFY that the foregoing is a true and correct copy of the minutes of the New Jersey Lottery Commission meeting held on November 22, 2016.

IN WITNESS WHEREOF, I hereby set my hand on

the 20th day of December, 2016.



Carole Hedinger
Executive Director