

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, SEPTEMBER 19, 2019

Chairman D'Anton called the Commission meeting into session at 10:00 a.m. in the Lottery Office located at One Lawrence Park Complex, Lawrenceville, New Jersey.

COMMISSION MEMBERS PRESENT

Robert D'Anton, Chairman
Marilyn Blazovsky, Vice Chair
Gary Terwilliger, Division of Investment Designee
(by phone)
Dini Ajmani, Treasurer's Designee

Jerry Guarino., Deputy Executive Director
Robert E. Kelly, Deputy Attorney General
Craig Ambrose, Governor's Auth. Unit

VISITORS

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

STAFF

Regina Arcuri
Fran Edwards
Missy Gillespie
Dean Ialacci
Robert Kersey
Kalliopi Kostis
Charlene Mello
Daniel O'Brian
Richard Pagnani
Steven Palmieri
Debbie Raub
Mary Ann Rivell
Margaret Square
John White

After the Pledge of Allegiance, Chairman D'Anton 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 D'Anton requested a motion to approve the minutes of the August 15, 2019 Commission meeting. Investment Designee Terwilliger made the motion, which was seconded by Treasurer's Designee Ajmani. Chairman D'Anton asked if there were any comments and there being none, the motion carried.

DIRECTOR'S REPORT

Deputy Executive Director Guarino reviewed the Lottery's August results and activities. Highlights were:

All games total sales were: \$273.4 million
Lotto games total sales were: \$31.6 million
Daily machine games total sales were: \$82.1 million
Scratch Off Tickets total sales were: \$159.6 million

Deputy Executive Director Guarino stated that Mega Millions had actual sales of \$10.45 million compared to \$11.8 million the prior year, which was a decrease of 11.7%.

Deputy Executive Director Guarino stated that Powerball had actual sales of \$10.5 million compared to \$12.4 million the prior year, which was a decrease of 15.6%.

Deputy Executive Director Guarino stated that daily game totals had actual sales of \$241.7 million compared to \$238.3 million the prior year, which was an increase of 1.4%.

Deputy Executive Director Guarino stated that New Jersey only games totals had actual sales of \$247.2 million compared to \$245.9 million the prior year, which was an increase of .05%.

The monthly contribution to Pension Fund L was \$77.88 million, which was a 2.8% decrease over the prior year.

Deputy Executive Director Guarino asked Deputy Director of Finance, John White, to explain unclaimed prizes.

Deputy Director White stated that in September the Lottery books unclaimed prizes for the scratch off games. That is done quarterly and so far the numbers are that we have approximately \$5 million in unclaimed prizes for the first quarter of the fiscal year and 30% of that, close to \$1.5 million, will be available to add to the contribution this month along with 30% of the expired prizes from draw games.

Deputy Executive Director Guarino stated that fiscal year to date all games totals had actual sales of \$542 million compared to \$565.8 million the prior year, which was a decrease of 4.2%.

Deputy Executive Director Guarino reported that net proceeds for the fiscal year to date are \$153.82 million or 28.7% of sales. Lotto games were \$24.5 million or 38% of sales. Daily games were \$61.4 million or 38% of sales. Instant games were \$67 million or 21% of sales.

Deputy Executive Director Guarino stated that for the month there were 67 electronic fund transfer ("EFT") failures totaling \$354,180. The Accounts Receivables Unit settled or closed 89% of EFT failures from July. Field Account Adjusters visited 277 retailers which resulted in the collection of \$178,324.

Deputy Executive Director Guarino noted that the balances for all unclaimed prize reserve accounts as of August 31, 2019 were \$1.8 million.

Deputy Executive Director Guarino stated that the current balances in annuity investment accounts total \$123.6 million.

The three top selling non-core games for August were "\$200X the Money Bonus," which generated \$22.7 million in sales, "Super Triple 777," which generated \$7.5 million in sales and "\$200 Million Cash Bonanza," which generated \$5.9 million in sales.

Total sales for Core and Family Games for the month were more than \$67.8 million. The "Crossword" family of games had \$27.1 million in sales, "Precious Metals" family of games had \$12.2 million in sales and the "Spectacular" family of games had \$11.2 million in sales.

Deputy Executive Director Guarino reported that the four new games introduced in August were "Tic Tac Toe Doubler," "\$25,000 Cash Lines," "\$100,000 Bingo Multiplier" and "Power 5's."

Deputy Executive Director Guarino noted that new games to be launched on October 7 are "Money Multiplier," "Bingo Gold" and "Diamond Riches."

Deputy Executive Director Guarino stated that Jersey Cash 5 has a promotion beginning August 5 through September 29. The Jersey Cash 5 base jackpot was increased from \$75,000 to \$100,000. Any time during the promotion that the Jersey Cash 5 jackpot is hit, the jackpot is reset to \$100,000.

Deputy Executive Director Guarino noted that all drawings for the month of August were completed with no abnormalities.

Deputy Executive Director Guarino stated that all on-line game 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.

Deputy Executive Director Guarino noted that there were 164 open investigations at the end of the month. There were 132 security investigations initiated in August. There were 118 security investigations completed.

Deputy Executive Director Guarino stated that the Validations department received and sorted 3,739 mailed claim forms during the month of August and an additional 387 walk-in claims. Staff entered 4,314 claims into CAP claims tracking system and also edited 4,474 claims. During the month of August, there were 3,767 claims totaling over \$14 million that were paid to winners including annuity payments.

Deputy Executive Director Guarino stated that there were 28 Social Security number matches between the files from the Department of Human Services, Department of Labor, Department of Community Affairs and the Division of Taxation.

Deputy Executive Director Guarino noted that there were 10 claims that were processed and garnished because of current and previous matches totaling \$14,809.76. Four of the garnishments went to satisfy child support arrearages, five were for public assistance and food stamps and there was one student loan payments.

Deputy Executive Director Guarino reported that the total number of active retailers is 7,154 compared to 7,161 at the end of July 2019. The total number of Quick Draw only retailers is 479, compared 482 at the end of July.

Deputy Executive Director Guarino concluded the Director's Report.

Chairman D'Anton asked if there were any questions or comments.

Treasurer's Designee Ajmani stated that she has been watching Mega Millions and it seems the jackpot is going up very slowly. She asked if there has been any change in consumer behavior. Deputy Director White responded that it was tied principally to interest rates than sales. The sales are trickling upward as the jackpot increases but the low interest rate, especially early on during this front, minimized the growth of the advertised jackpot.

Chairman D'Anton asked for an explanation of why the interest rates affect it. Deputy Director White responded that the interest rate funds the graduated annuity.

Vice Chair Blazovsky stated while looking at the financials for July and August, she noticed that the contribution to the state has been under 30% and in May and June, it was over 30%. She asked if this was normal.

Deputy Director White stated that with July and August, the Lottery did not have high jackpots in the Multi-State games. Those games have a profit margin of about 40%. In July and August, very few of Lottery's annual expenses have occurred and we have to project very conservatively moving forward. As the year progresses, the contribution rate should get close to 30%.

Vice Chair Blazovsky asked at what point do you become concerned about the 28% and when you look at FY19, were there months where we were under 28%? Deputy Director White stated that there would be concern as we get into the next quarter and there is no jackpots to raise the sales.

Vice Chair Blazovsky stated that the contribution is statutorily required and we should not be actually basing it on jackpots. Vice Chair Blazovsky suggested that number be included somewhere in the Director's report so they can look at that.

Deputy Director White will update the year to date numbers on the Directors report.

Vice Chair Blazovsky asked when does it have to be 30%, monthly or yearly? Deputy Director White stated it has to be 30% for the year.

Chairman D'Anton asked if we make those numbers every year. Deputy Director White stated that the last few years we have been at approximately 31% for the year.

Vice Chair Blazovsky stated that she noticed there was a promotion called "101 Days of Summer." She went on YouTube and wasn't sure what the objective of that promotion was because it didn't speak to generating sales. She asked for an explanation of what the objective was.

Foster Krupa, Senior Director of Product Innovations at Northstar, responded that it is a promotion that ran for the summer for the past few years. It is an opportunity to talk about different aspects of the New Jersey Lottery in all kinds of different ways. It touches on all the products and creates excitement around our products during the down times of the summer, much like we talk about holiday games during the holidays we generate a lot of excitement around products then.

Vice Chair Blazovsky stated that it doesn't seem like we were promoting products. It looked like we were promoting the Lottery van going around the state and that we were promoting events and social media. Vice Chair Blazovsky stated that she thinks when we are concerned about sales, that we should be gearing even our social media towards promoting our products and a discussion was held about the role of the VIP Club.

Vice Chair Blazovsky stated that she would like to see the connection with sales. Foster Krupa responded that it is all about getting players engaged with us across the board, it all ties back to sales along with the product promotions that we advertise in addition to that for the year.

Chairman D'Anton asked how increases in the VIP Club membership relates to additional sales. Foster Krupa responded that it cannot always be tied back, it's not that simple. It is all about growing the engagement and making Lottery's product relevant to more players. Mr. Krupa stated that the goal is to engage them and turn them into more regular players.

Chairman Danton asked if there is incentive to members to go out and get more members. Foster Krupa answered that there was not.

Treasurer Designee Ajmani suggested that Northstar present on its marketing plan for fiscal year 2020 so the Commissioners know what campaigns are coming up.

Chairman Danton asked if we could have this ready for October. Erica Helms stated that she will reach out to Acting Executive Director Carey on this when he returns.

Chairman D'Anton asked if the monthly EFT failures were from sweeping the accounts. Deputy Executive Director Guarino responded that these are retailers that did not have enough funds in their account that is designated for the Lottery.

Chairman D'Anton asked if we sweep the accounts daily or weekly? Deputy Director White answered that we sweep the accounts weekly.

Chairman D'Anton requested that the Commission meeting scheduled for October 17, 2019 be rescheduled for October 24, 2019.

Chairman D'Anton requested a motion to approve the Director's Report. Investment Designee Terwilliger made the motion which was seconded by Vice Chair Blazovsky.

NEW BUSINESS

Deputy Executive Director Guarino 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 D'Anton requested a motion to approve the instant ticket game rules for "Holiday Luck," "Holiday Lucky Times 10," "Holiday Lucky Bonus" and "Winter Wishes." Treasurer Designee Ajmani made the motion which was seconded by Investment Designee Terwilliger. Chairman D'Anton 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

Chairman D'Anton asked for a motion to adjourn the Public meeting. Vice Chair Blazovsky made the motion which was seconded by Treasurer Designee Ajmani. 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 September 19, 2019.

IN WITNESS WHEREOF, I hereby set my hand on

the 16th day of October, 2019.


Jerry Guarino
Deputy Executive Director