

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, AUGUST 20, 2015

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
Patrick Toscano, Vice Chairman
Albert Alvarez, Commissioner (by phone)
Robert Slater, Commissioner (by phone)
Roger Cohen, Treasurer Designee

Carole Hedinger, Executive Director
John Custodio, Deputy Executive Director
Roger Gibson, Deputy Attorney General
Christopher Howard, Governor's Auth. Unit (by phone)

STAFF

Regina Arcuri
Denise Coleman
Duane Daniels
Michael DeCheser
Judy Drucker
Janice Eckstein
Karen Kokoll
Frances Lioudis
Richard Pagnani
Steven Palmieri
Melissa Williams

VISITORS

Tim Simonson, IGT
Shawn Yetter, IGT
Richard Wheeler, IGT
Russ Knapp, Northstar
William Murray, Northstar
Sarah Brennan, Northstar
Sam Fromkin, Northstar
Dustin Racioppi, The Record
Joe Perone, 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 July 16, 2015 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 overall game sales increased 9.4% for the first month of our Fiscal Year. This is a very encouraging start.

Executive Director Hedinger reported that our daily games were up 7%. This is significant because we still lag in jackpot game sales because of the lack of jackpots. Because multi-state game sales are dependent on fluctuating jackpot size, they cannot be controlled like daily state games.

Executive Director Hedinger noted that instant tickets saw growth of 15% year over year in that month. They have been continuing to rise throughout the year.

Executive Director Hedinger stated that we are maintaining the 30% required contribution.

Executive Director Hedinger reported that receipts and deposits for the month of July were over \$226 million.

Executive Director Hedinger noted that the electronic fund transfer (EFT) failures totaled \$302.5 thousand. The Accounts Receivables Unit settled or closed 88% of EFT failures from June.

Executive Director Hedinger stated that the cumulative outstanding accounts receivable balance at the end of July was \$3.13 million.

Executive Director Hedinger noted that the balances in the unclaimed prize reserve accounts for July were over \$32 million.

Executive Director Hedinger reported that the balances in the annuity investment accounts total \$180 million.

Executive Director Hedinger stated that the S&P ratings have not changed since last month.

Executive Director Hedinger noted that the three top selling non-core games for July were "\$5,000,000 Cash Extravaganza," "\$500,000 Fortune" and "Double Diamond Spectacular."

Executive Director Hedinger reported that the Core and Family Games made up over \$86 million in sales.

Executive Director Hedinger stated that the two new instant games that were introduced in July were "Super Slots" and "\$10,000 Payday." The new games made up 5% of sales for the month.

Executive Director Hedinger noted that instant game activities included advertising for "Escape to Margaritaville," "Lotteria," "\$10,000 Payday" and "\$5 Super Slots." They were promoted on our website, through social media and various other places.

Executive Director Hedinger reported that the "Monopoly Millionaires' Club" was promoted on TV, Point of Sale (POS), our website and social media. This is the game that players are entering for a second chance to become a contestant on the "Monopoly Millionaires' Club" TV Game show.

Executive Director Hedinger stated that for online product games, we saw a lift in Mega Millions jackpots in July. We saw the jackpot grow quicker than it had been.

Executive Director Hedinger reported that Pick-3 and Pick-4 sales through July were averaging more than 3% higher than the prior year. Jersey Cash 5 sales were up over 28%.

Executive Director Hedinger noted that we ran a Pick-3 Bonus Coupon Promotion in July and awarded \$182,000 in prizes. We had a very high redemption rate for that game.

Executive Director Hedinger stated that "Fast Play" began on August 2 and is selling well.

Executive Director Hedinger reported that our social media continues to grow. The biggest fan reaction to a Facebook post was the US Women's National Team World Cup "Jersey Girls" Winners post. We followed that with the two "Jersey Boys" that also made the news in July. Mike Trout was the MVP of the All Star Game and Todd Frazier won the home run derby. We try to feature and promote New Jersey through our social media.

Executive Director Hedinger stated that our top three most watched YouTube videos were "Fast Play -- Coming August 2," "Behind the Ball: Meet Erica Young" and "How to Play Pick-6 XTRA."

Executive Director Hedinger noted that our Lottery Website Support responded to 313 email requests and inquiries from VIP Club members during the month.

Executive Director Hedinger reported that we gained 4,506 new VIP Club registrations during the month of July. We now have more than 315,000 active members.

Executive Director Hedinger noted that since the inception of the Million Dollar Replay game in 2011, there have been 162,151 people that have registered for the VIP Club. The Million Dollar Replay game has really driven membership in the VIP Club. It has recorded over 32 million entries since it began.

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

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

Executive Director Hedinger noted that in July we were planning for the "Not 18 Yet? No Bet" joint press conference with the Council on Compulsive Gambling of New Jersey.

Executive Director Hedinger reported that there were a great number of lottery events scheduled in July and there are many scheduled for August.

Executive Director Hedinger stated that we continue to monitor any proposed legislation that might affect the Lottery. The Lottery Courier Bill was passed out of the Assembly in June and was recently passed out of the Senate. This bill would allow a courier service to be established in New Jersey whereby people could order Lottery tickets and have them delivered. We would be charged with overseeing this process. We opposed this bill because of the possible ramifications of people delivering lottery tickets. Especially with our new "Fast Play" game, as you can instantly look at the ticket and know whether or not it is a winner. The legislation was written before we started selling "Fast Play." We continue to follow this bill. If it is signed into law we will work with the Attorney General's office to make all the necessary rules and regulations.

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

Executive Director Hedinger reported that there were 206 security investigations initiated during the month.

Executive Director Hedinger stated that 113 random field inspections were conducted.

Executive Director Hedinger noted that the Licensing staff received and processed 93 applications and 31 licenses were issued.

Executive Director Hedinger reported that we collected a total of \$47,699 for FY15 through our efforts with the Division of Taxation.

Executive Director Hedinger stated that the IMS staff is worked with DORES and IGT on network access to the second chance drawing system.

Executive Director Hedinger reported that AT&T has started configuring access for select IMS staff to reroute calls from Lottery headquarters to our back up site in the event of an emergency.

Executive Director Hedinger noted that the Validation staff received and sorted 4,483 claim forms during the month of July with an additional 290 walk-in claims. More than 5,500 claims were entered into the system and over 5,700 were edited. During the month, 6,230 claims totaling \$23,716,579 were paid to winners, including annuity payments.

Executive Director Hedinger stated that there were 44 Social Security number matches. Three were for student loan payment defaults and there were no matches for low income home energy assistance. There were 33 claims that were processed and garnished because of current and previous matches totaling \$38,736.49; twenty-one of them went to satisfy child support arrearages and nine claims were released from previous matches.

Executive Director Hedinger reported that since inception in 1992, the New Jersey Lottery has collected over \$7 million for various set off programs.

Executive Director Hedinger noted that the Retailer/Call Center Services Unit handled 3,822 incoming calls during the month. They made 90 outgoing calls to retailers. They handled 145 requests for assistance with instant ticket pack status changes. They handled 1,458 winner claim status calls during the month, with 330 of these calls answered at the front desk.

Executive Director Hedinger stated that the Warehouse staff continues to process full and partial game end packs. The Sales staff has been working on inventory control with retailers to better control the amount of inventory that is in the field. Therefore, there are fewer packs to be returned or redistributed.

Executive Director Hedinger reported that the Warehouse staff also accepted deliveries, performed normal courier runs and provided the Lottery promotion truck to Northstar for various events.

Executive Director Hedinger noted that the Facilities coordinator worked with Nexus to make certain the maintenance of the building was accomplished satisfactorily.

Executive Director Hedinger stated that Northstar's employee count is at 131, with 93 in Sales, 22 in Marketing and 16 in Administration.

Executive Director Hedinger noted that the total number of active retailers is 7,223.

Executive Director Hedinger reported to the Commission about an incident that happened on August 1 with a software glitch that shut down nearly half of our retailers for a period of time. The problem was fully resolved by August 6.

Executive Director Hedinger introduced Tim Simonson, Senior Vice President of Lottery Management Services, Richard Wheeler, Regional Vice President of North American Lottery Group for IGT, Shawn Yetter, Director of Computer Operations with Data Center of America for IGT and Russ Knapp, General Manager of Northstar.

Tim Simonson stated that IGT takes full responsibility of the incident that took place on August 1.

Richard Wheeler presented a timeline of events that occurred during that incident.

Shawn Yetter gave a report on her investigation. She stated that after the evaluation, she will provide a very aggressive and actionable service improvement plan.

Roger Cohen stated that he had some comments to share on behalf of the Treasurer which he read into the record.

Chairman Ragazzo asked if there were any questions or comments.

Commissioner Slater asked if sales were affected during the incident and a discussion was held.

Commissioner Alvarez stated that he looks forward to hearing more as the IGT investigation continues.

Chairman Ragazzo asked about the vendors' responsibility regarding "Not 18 Yet? No Bet" campaign and a discussion was held.

Chairman Ragazzo asked about Northstar's "Stacked Deck" gambling prevention program for school children and a discussion was held.

Commissioner Slater asked about the 30% state contribution and a discussion was held.

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

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

Chairman Ragazzo requested a motion to approve the revised game rules for "Powerball." 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 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.

Chairman Ragazzo requested a motion to approve the instant ticket game rules for "Holiday Lucky Times 10." Vice Chairman Toscano made the motion which was seconded by Commissioner Alvarez. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Chairman Ragazzo requested a motion to approve the instant ticket game rules for "World Series of Poker." Vice Chairman Toscano made the motion which was seconded by Commissioner Alvarez. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Chairman Ragazzo requested a motion to approve the instant ticket game rules for "100X The Cash." Vice Chairman Toscano made the motion which was seconded by Commissioner Alvarez. Chairman Ragazzo 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 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 August 20, 2015.

IN WITNESS WHEREOF, I hereby set my hand on

the 17th day of September, 2015.


Carole Hedinger
Executive Director