

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, FEBRUARY 19, 2015

Chairman Tucci 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

Thomas Tucci, Chairman
Frank Ragazzo, Vice Chairman
Robert Slater, Commissioner (by phone)
Albert Alvarez, 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

VISITORS

Bill Murray, Northstar
Foster Krupa, GTECH
Lou Cleary, Northstar
Lori Harris, Northstar
Sarah Brennan, Northstar
Joan Mueller, Brushfire
Chris Havard, Ferrara
Julie Walker, Associated Press

STAFF

Regina Arcuri
Denise Coleman
Duane Daniels
Michael DeCheser
Judy Drucker
Janice Eckstein
Fran Lioudis
Dolores Matos
Megan Mazzoni
Richard Pagnan
Steven Palmieri
Deborah Raub
Mary Ann Rivell
Margaret Square
John White

After the Pledge of Allegiance, Chairman Tucci 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 Tucci requested a motion to approve the minutes of the January 21, 2015 Commission Meeting. Commissioner Slater made the motion, which was seconded by Vice Chairman Ragazzo. Chairman Tucci asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Executive Director Hedinger stated that sales improved in the month of January due to the growth in jackpot games. Sales for Mega Millions and Powerball exceeded last year's sales. And the month, as a result, was overall 18% ahead of the prior year.

Executive Director Hedinger reported that the surge in jackpot sales had a dramatic effect for the month. The month of February should see an increase, as well.

Executive Director Hedinger noted that we broke down the profit percentage from our category of games as Commissioner Slater requested. The jackpot games are now separated from the instant and daily games.

Executive Director Hedinger stated that receipts and deposits for the month of January were \$230 million.

Executive Director Hedinger noted that there were 127 electronic fund transfer (EFT) failures totaling \$423 thousand. The Accounts Receivable Unit settled or closed 79% of EFT failures from December.

Executive Director Hedinger reported that the cumulative outstanding accounts receivable balance was \$3.4 million.

Executive Director Hedinger stated that the balances in the unclaimed prize reserve accounts for December are over \$19 million.

Executive Director Hedinger noted that the balances in the annuity investment accounts total \$197.5 million.

Executive Director Hedinger updated Commissioner Slater on his question last month regarding Delaware Life Insurance's BBB rating. The contract with annuities states that if a company falls below the stated ratings in our contract, we will not purchase any future annuities from them but they will maintain any contracts that they have already been awarded. It is carefully watched and there is no reason to think there is any jeopardy at this time.

Executive Director Hedinger stated that the three top selling non-core games for January represented approximately \$24.4 million in sales. The "\$5,000,000 Cash Extravaganza" made up 11% of total sales. That game is going very well. We had our first \$5,000,000 winner from that game come in this week. There are two remaining top prize winners and many other prizes are still available.

Executive Director Hedinger noted that sales for Core and Family Games for the month totaled more than \$64 million in sales.

Executive Director Hedinger stated that the three new instant games that were introduced in January made up approximately 15% of sales for the month. This was largely driven by the "\$5,000,000 Cash Extravaganza" game.

Executive Director Hedinger stated that the draw game product activities were concentrated around the CASH4LIFE update that began in February and runs through March 1st.

Executive Director Hedinger noted that Pick6 XTRA was launched in January. That extra add-on feature averaged a 10% participation rate which was higher than the 6% projected rate.

Executive Director Hedinger reported that Powerball had its first large jackpot since the price changed to \$2. The jackpot rolled up to \$564 million. The last three draw days saw a surge in sales for a jackpot game that we haven't seen for a while. This fatigue in jackpot games has been happening for over a year and there may be other factors involved that brought players back.

Executive Director Hedinger stated that Northstar will provide the reporting of social media beginning in March.

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

Executive Director Hedinger noted that all pool closings were closed with no abnormalities.

Executive Director Hedinger stated that there was a Winner Awareness press conference held at Acme Markets in Cape May Court House on January 30th. It was held in order to publicize the winner of the \$9.1 million Pick-6 ticket that was sold at Acme. Acme donated part of their \$10,000 bonus for selling that ticket to three non-profit organizations. This is not the first time Acme has done this as they are very active in supporting their communities.

Executive Director Hedinger noted that there were a number of press releases issued during the month.

Executive Director Hedinger stated there is a piece of legislation that pertains to sharing advertising expenses with other states for national lottery game advertising. This is not very feasible. We were asked to prepare bill comments on this and we will be submitting them soon. In New Jersey we benefit from the media that Pennsylvania and New York broadcast, which is a reason we wouldn't put a lot of money behind jackpot advertising. We are following this legislation.

Executive Director Hedinger noted that we have a number of Public Events scheduled for February and March. The Commissioners should have received a list of promotional events recently.

Chairman Tucci thanked Executive Director Hedinger for the invitation to attend the Million Dollar Replay Drawing.

Vice Chairman Ragazzo commended the Lottery on the success of the Million Dollar Replay event.

Executive Director Hedinger stated that there were 243 security investigations initiated in January.

Executive Director Hedinger noted that there were 119 random field inspections were conducted.

Executive Director Hedinger reported that we received and processed 196 applications.

Executive Director Hedinger stated that there are 7,496 licenses issued as of January 31, 2015.

Executive Director Hedinger reported that we collected a total of \$2,938.00 for the month of January through our efforts with the Division of Taxation.

Executive Director Hedinger stated that work continues on our back up site.

Executive Director Hedinger reported that Northstar is moving its sales operations to a larger facility and it should be completed in the spring.

Executive Director Hedinger noted that the end of year processing was completed on time. The W2G and 1099 forms were issued from our new Claims and Payment System.

Executive Director Hedinger reported that the VIP Club increased its membership with 2,645 new registrations during the month of January. We now have more than 289,000 active members.

Executive Director Hedinger noted that the Validation staff received and sorted more than 4,600 claim forms during the month of January with an additional 374 walk-in claims. More than 5,300 claims were entered into the system and 6,111 were edited. During the month there were 4,315 claims paid totaling over \$18 million.

Executive Director Hedinger stated that there were 26 Social Security number matches. Twenty-three claims were processed and garnished because of current and previous matches. Three 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 over 4,200 calls during the month of January. They made 152 outgoing calls to retailers. They handled more than 1,500 winner claim status calls during the month, with 390 of these calls answered at the front desk.

Executive Director Hedinger stated that the warehouse and facilities units completed their normal activity.

Executive Director Hedinger reported that Studio B is under construction for the CASH4LIFE drawings.

Executive Director Hedinger reported that Northstar's employee count is at 131, with 95 in Sales and 21 in Marketing.

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

Chairman Tucci asked if there were any questions or comments.

Chairman Tucci requested a motion to approve the Director's Report. Vice Chairman Ragazzo made the motion which was seconded by Treasurer Designee Cohen.

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.

Chairman Tucci requested a motion to approve the instant ticket game rules for "\$5,000 Jackpot." Vice Chairman Ragazzo made the motion which was seconded by Treasurer Designee Cohen. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the instant ticket game rules for "\$30,000 Jackpot." Vice Chairman Ragazzo made the motion which was seconded by Treasurer Designee Cohen. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the instant ticket game rules for "\$200,000 Jackpot." Vice Chairman Ragazzo made the motion which was seconded by Treasurer Designee Cohen. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the instant ticket game rules for "\$1,000,000 Jackpot." Vice Chairman Ragazzo made the motion which was seconded by Treasurer Designee Cohen. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the instant ticket game rules for "Monopoly Millionaires' Club." Vice Chairman Ragazzo made the motion which was seconded by Treasurer Designee Cohen. Chairman Tucci asked if there were any comments and there being none the motion carried.

Commissioner Alvarez asked about an article that was in the newspaper regarding the Office of Legislative Service's audit and a discussion was held.

PUBLIC COMMENT

There was no public comment.

EXECUTIVE SESSION

There was no Executive Session.

ADJOURNMENT

Chairman Tucci 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 February 19, 2015.

IN WITNESS WHEREOF, I hereby set my hand on

the 19th day of March, 2015.


Carole Hedinger
Executive Director