

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, SEPTEMBER 27, 2016

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 (by phone)
Robert Slater, Commissioner (by phone)
Roger Cohen, Treasurer Designee

Carole Hedinger, Executive Director
Christin Deacon, DAG
Michael Collins, Governor's Auth. Unit (by phone)

VISITORS

Russ Knapp, Northstar
Bill Murray, Northstar
Lou Cleary, Northstar
Foster Krupa, Northstar
Sarah Brennan, Northstar
Sam Fromkin, Northstar
Chris Havard, Ferrara
Nicole Wasserman, Ferrara
Jon Renner, Brushfire

STAFF

Regina Arcuri
Duane Daniels
Michael DeCheser
Judith Drucker
Frances Edwards
Janetta Foy
Karen Kokoll
Kalliopi Kostis
Megan Mazzoni
Charlene Mello
Richard Pagnani
Debbie Raub
Mary Ann Rivell
John White
Melissa Williams

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 August 23, 2016 Commission Meeting. Commissioner Slater made the motion, which was seconded by Vice Chairman Toscano. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Executive Director Hedinger stated that August was another great month. FY2017 is off to a good start. Our sales for the month exceeded the prior year and the daily games are up \$2 million over the prior year. Those games are indicative of our players' interest and they're also profitable. So far this year, we are ahead of budget. As far as revenue is concerned, we've benefitted from those early high jackpots in July. Unfortunately, right now Powerball and Mega Millions jackpots were hit so now we are going back to trying to build up a decent jackpot and get those games rolling again.

Executive Director Hedinger noted that the profit from our various games contributed almost 30% of sales, with only the estimated forfeited prizes included. We are quite confident that we will not have a problem meeting that 30%.

Executive Director Hedinger reported that receipts and deposits for the month were \$164.8 million.

Executive Director Hedinger noted that there were 104 electronic fund transfer (EFT) failures totaling \$289,286 thousand for the month. The Accounts Receivables Unit settled or closed 89% of EFT failures from July. Field Account Adjusters visited 439 retailers and collected \$253.6 thousand.

Executive Director Hedinger reported that at the end of August the cumulative outstanding accounts receivable balance is \$3.6 million. The total amount of bad debt reserve is \$3.7 million.

Executive Director Hedinger stated that August 2016 marks one year since the implementation of the Fastplay game. The unclaimed prize chart includes unclaimed prizes from that game. So far for this fiscal year, we have close to \$1.7 million in unclaimed prizes.

Executive Director Hedinger noted that the balance in the annuity investment accounts is \$154.2 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 "100X The Cash." They made up 23% of instant sales for August.

Executive Director Hedinger stated that the Core and Family Games for the month made up 51% of our instant sales.

Executive Director Hedinger noted that the four new instant games we introduced in August contributed about 11% of our total sales.

Executive Director Hedinger reported that the advertising of the "Wheel of Fortune" instant game concluded in August with the exception of out of home and billboards.

Executive Director Hedinger stated that the "Lucky Day" instant game was advertised on social media.

Executive Director Hedinger reported that we had a Pick-6 XTRA 10x multiplier promotion. This was the first time the feature was promoted and it increased XTRA participation.

Executive Director Hedinger noted that a new Fast Play game was added in August. There are now 20 Fast Play games available.

Executive Director Hedinger stated that we had five high-tier winners in August that were distributed throughout the state.

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

Executive Director Hedinger noted that our Lottery Consumer and Retailer Websites Support services responded to 117 email requests and inquiries from VIP Club members.

Executive Director Hedinger stated that the VIP Club increased its membership with 3,504 new registrations during the month. We now have 373,122 active members.

Executive Director Hedinger reported that all drawings for the month of August 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 on August 2 we held a "Not 18 Yet? No Bet" press conference at Lucky 7 Deli in Lawrenceville. It was very well attended and received good coverage. FiOS and ABC 6 covered the event live and aired their stories in prime time. NJ 101.5 discussed the topic on air and posted our press release and video link on their website. We also videotaped the event and provided B-roll footage to the media shortly after the event.

Executive Director Hedinger noted that we started preparing for the CASH4LIFE top prize winner press conference.

Executive Director Hedinger stated that there were a great number of press releases issued in August.

Executive Director Hedinger reported that On-line winner awareness was produced for Northstar to use as content for the website and to add to social media.

Executive Director Hedinger stated that we continue to monitor Federal and State legislation and other states' legislation as it might affect us.

Executive Director Hedinger noted that our Responsible Play Program worked on arrangements for a meeting of the Council on Compulsive Gambling New Jersey (CCGNJ) working group. We started working with the Council on scheduling arrangements for Council Board Training session. We worked with Treasury Fiscal Unit and CCGNJ staffs to arrange for NJ Lottery sponsorship of CCGNJ's Statewide Conference. We worked with our Fiscal Unit and CCGNJ staffs to process payment for 2017 membership fee. We participated in CCGNJ Board meeting. We also finalized arrangements for 2016 "Not 18 Yet? No Bet" annual awareness campaign.

Executive Director Hedinger reported that there were four Speaker's Bureau Events held in August. And there are four scheduled for September.

Executive Director Hedinger stated that there were a great number of Public Promotional Events held in August. There are a large number planned for September.

Executive Director Hedinger noted that there were 208 security investigations initiated during the month.

Executive Director Hedinger reported that 80 random field inspections were conducted at retailer locations.

Executive Director Hedinger stated that the Licensing staff received and processed 69 applications and 73 licenses were issued.

Executive Director Hedinger noted that at the end of August, there were 7,870 licenses issued.

Executive Director Hedinger reported that we collected a total of \$1,476.14 for the month of August through our efforts with the Division of Taxation.

Executive Director Hedinger stated that in our Technology Department, we tested transferring 40% of incoming calls to our 800 room and rerouted them to the Business Continuity Site (BCS). If there is an emergency, we will have the ability to transfer all calls to the BCS in order not to miss any from the public. The test was successful.

Executive Director Hedinger noted that in our Systems and Programming Department, they assisted users with various reports, performed modifications to existing programs and responded to OPRA requests.

Executive Director Hedinger reported that the Validations staff received and sorted 5,050 claim forms during the month of August with an additional 365 walk-in claims. They entered 5,611 claims into the system and 5,817 were edited. During the month, 6,327 claims totaling over \$26 million were paid to winners, including annuity payments.

Executive Director Hedinger stated that there were 38 Social Security number matches in August. Twenty five claims were processed and garnished because of current and previous matches. Five claims were released from previous matches. Since inception, we have collected more than \$7.6 million for arrearages.

Executive Director Hedinger noted that Validations staff is reviewing a new program to check social security numbers against death registries. An audit revealed that there were a very small number of claims paid to people with social security numbers that may have been deceased. They may have been appropriately paid; however, we do not want to take a chance of paying them improperly. More information will be given when we make a decision.

Executive Director Hedinger reported that the Retailer/Call Center Services Unit handled 5,730 incoming calls during the month. They made 150 outgoing calls to retailers. There were 236 requests for assistance with instant pack status changes. They handled 1,927 winner claim status calls during the month of August with 257 answered at the front desk.

Executive Director Hedinger stated that the Warehouse staff accepted more than 4,000 deliveries during the month. There were 160 full packs of instant tickets returned. Approximately 160 boxes containing overstocks were returned to IGT.

Executive Director Hedinger noted that in Facilities, there were several preventative maintenance inspections and repairs conducted at Lottery headquarters. The UPS Circuitry in Studio Control Room and Studio A was completed.

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

Chairman Ragazzo asked if there were any questions or comments.

Chairman Ragazzo stated that we are 12.1% ahead of State contributions and 6.9% ahead of budget.

Executive Director Hedinger reported that this month will appear to be very sluggish compared to July and August but it is not a bad month overall. This time of the year is usually slower with sales picking up through the coming holidays. We got off to such a great start it gives us a little breathing room.

Commissioner Slater asked if we have a consultant regarding cyber-attack hacking matters.

Executive Director Hedinger stated that we do not have a consultant. Our technology is controlled by a Division in Treasury called the Department of Revenue and Enterprise Services (DORES). All of the systems that are ours, not Northstar's or IGT's, is dependent on their security protocols. Northstar and IGT are independent of us so we don't consider threats that could come through their systems. From past experience, they work very hard to maintain an independence from external access that could get in and corrupt any of those systems.

Commissioner Slater stated that he is nervous about things he has heard in the last few days about cyber-attacks and hacking.

Executive Director Hedinger noted that the sale of tickets is done through the gaming system, which is a closed system.

Commissioner Slater stated that he is concerned about hacking into closed systems. He asked if we could ask DORES what they do to protect us against cyber-attack hacking and things that affect our closed systems within the Lottery operation. And if we are not satisfied with what we are hearing, we might ask for more.

Executive Director Hedinger stated that she will ask them. That is a good question.

Commissioner Slater stated that regarding deceased social security numbers, with large payments, we might think about a pre-receipt kind of process whereby we can check the social security number before the payment is made.

Executive Director Hedinger noted that large payments are generally paid in person. We meet them and they provide various forms of identification and those payments are correct. The issue with social security numbers is being fully investigated.

Chairman Ragazzo asked how the CASH4LIFE prize award is paid and a discussion was held.

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

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 "Double Dollars," "Birthday Surprise," "Big Money Spectacular," "Hot Streak" and "Mega Crossword." 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.

Chairman Ragazzo requested a motion to approve the on-line game rules for "FAST PLAY." The games for approval are "Comic Cash," "Hi-Lo" and "50x the Cash." 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.

PUBLIC COMMENT

Treasurer Designee Roger Cohen announced that this will be his last meeting as he is retiring. He wants to take the opportunity to thank everyone. He has enjoyed coming to the Commission meetings. This is his last one before retirement. He has been very impressed with the diligence of the Commission and the quality of the questions and the oversight that they take. He has been very impressed with the way the Lottery has been run and is managed under Carole's leadership. He thinks the State is in very good hands. This is the fourth largest revenue source and it has to be run like a profit making business and that is how she runs it. He thinks we should all be very pleased and thank you to everybody.

Chairman Ragazzo asked if Roger Cohen was a state employee for a long time. Roger stated that he has been here six years. Before that he was in New York for a long time. He prefers New Jersey. Chairman Ragazzo wished him the best of luck and that it was nice to have him on board. He was certainly a welcomed addition. Roger thanked him.

Executive Director Hedinger stated that over the past six years, Roger has been very helpful to the Lottery. In years gone by, in her first stay at the Lottery, we didn't have the benefit of people with economics expertise to help us make decisions. And that is something that we have had the benefit of for the last six years. Roger has always been helpful with coming up with ideas or analysis that we could use in making those decisions. She really appreciated that and she will miss him. She thanked him for his kind words.

Commissioner Slater would like to second what Carole said. Roger has been an invaluable member of the team at the meetings and he has great insight and has really fulfilled a role of connecting the Lottery between the Treasury and the operation. Commissioner Slater stated that he has been very impressed and he will miss him very much. He wished him the best of luck.

Treasurer Designee Roger Cohen thanked Commissioner Slater.

Vice Chairman Toscano said, "Thank you so much."

Treasurer Designee Roger Cohen thanked Vice Chairman Toscano.

Chairman Ragazzo stated that he would be remiss if he didn't offer the Commission's condolences to Carole and her family on the loss of her husband and welcoming her back to work. Vice Chairman Toscano concurred.

Executive Director Hedinger thanked Chairman Ragazzo and the Commissioners.

EXECUTIVE SESSION

There was no Executive Session.

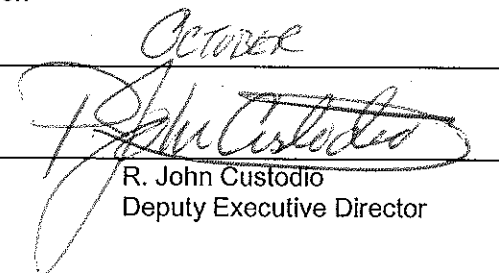
ADJOURNMENT

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 September 27, 2016.

IN WITNESS WHEREOF, I hereby set my hand on

the 25TH day of OCTOBER, 2016.


R. John Custodio
Deputy Executive Director