

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING JULY 15, 2021

Executive Director Carey called the Commission meeting into session at 10:00 a.m.

COMMISSION MEMBERS (BY TELEPHONE)

Marilyn Blazovsky, Vice Chair
Ian K. Leonard, Commissioner
Dini Ajmani, Treasurer's Designee
Gary Terwilliger, Division of Investment Designee

James A. Carey, Jr., Executive Director
Robert E. Kelly, Deputy Attorney General
Roza Dabaghyan, Deputy Attorney General
Rudy Rodas, Governor's Auth. Unit

VISITORS (BY TELEPHONE)

Adam Perlow, Northstar
Erica Helms, Northstar
Foster Krupa, Northstar
Joe Cavallo, Northstar
Sam Fromkin, Northstar
Kristen Connelly, Northstar

STAFF (BY TELEPHONE)

Missy Gillespie
Jerry Guarino
Dean Ialacci
Shelina Islam
Robert Kersey
Kalli Kostis
Kelly Laird
Jason Lee
Marc Marseglia
Ellen O'Malley
Rick Pagnani
Steve Palmieri
Mary Ann Rivell
Ryan Schaffer
Margaret Square
John White

Executive Director Carey stated that Chairman D'Anton was unable to attend the meeting. Executive Director Carey turned the meeting over to Vice Chair Blazovsky to chair the meeting.

After the Pledge of Allegiance, Vice Chair Blazovsky 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.

Vice Chair Blazovsky requested a motion to approve the minutes of the June 17, 2021 Commission meeting. Commissioner Leonard made the motion, which was seconded by Investment Designee Terwilliger. Vice Chair Blazovsky asked if there were any comments and there being none, the motion carried.

Vice Chair Blazovsky requested a motion to approve the Executive Session minutes of the June 17, 2021 Commission meeting. Commissioner Leonard made the motion, which was seconded by Investment Designee Terwilliger. Vice Chair Blazovsky asked if there were any comments and there being none, the motion carried.

DIRECTOR'S REPORT

Executive Director Carey reviewed the preliminary sales results for the fiscal year ending June 30, 2021. He stated that fiscal year to date all games had total sales of \$3.68 billion compared to \$3.21 billion the prior year, which was an increase of 14%. This was the Lottery's highest year of sales ever. The second highest year of sales was FY19, when the Lottery had \$3.482 billion in sales.

Executive Director Carey explained some of the issue that the Lottery faced during the prior year. He stated that working with Northstar, Lottery increased its on-line and social media presence, made improvements to the Lottery's mobile app, and changed draw times from 7:57 to 10:57 every day. He also noted that the Commissioners took a very important action in the spring by allowing couriers to sell Pick 3, Pick 4 and Jersey Cash 5, which made play more convenient for players.

Executive Director Carey thanked the employees of the New Jersey Lottery and Northstar, who have all worked hard during this year. Changes that were made and a lot of hard work by the people at the Lottery, at Northstar, and Lottery's nearly 7,000 retailers, all helped the New Jersey Lottery have its highest year of sales ever.

Executive Director Carey thanked and congratulated the Lottery's retailers. He added that retailers were front line workers and sold tickets face to face. He noted that our retailers earned over \$200 million in commissions this year.

Executive Director Carey stated that as of June 30, 2021, the contribution to the State was \$1.083 billion compared to \$937 million as of June 30 the prior year, which was an increase of 15.6%. The Lottery had contributed 29.41% of sales revenue to the State as of June 30, and is required to contribute 30% of its revenue to the State of New Jersey. He stated that Lottery will meet the 30% requirement during the end of year accounting process.

Executive Director Carey stated that Fiscal year profits from lotto games were \$206 million or 40.7% of sales. Fiscal year profits from daily games were \$423.2 million or 38.2% of sales. Fiscal year profits from Scratch-Offs were \$445.8 million or 21.5% of sales.

Executive Director Carey stated that fiscal year to date Pick-6 had total sales of \$56.6 million compared to \$54.99 million the prior year, which was an increase of 2.9%.

Executive Director Carey stated that fiscal year to date CASH4LIFE had total sales of \$59.7 million compared to \$56.3 million the prior year, which was an increase of 5%.

Executive Director Carey stated that fiscal year to date Mega Millions had total sales of \$213.7 million compared to \$145.6 million the prior year, which was an increase of 46.7%.

Executive Director Carey stated that fiscal year to date Powerball had total sales of \$175 million compared to \$125 million the prior year, which was an increase of 39%.

Executive Director Carey stated that in FY20, Mega Millions and Powerball did not have many large jackpots but both games delivered in FY21. He stated that January was a remarkable month for Powerball, Mega Millions and the New Jersey Lottery because Mega Millions had a \$1 billion jackpot, Powerball had a \$750 million jackpot, and in the following weeks, two players from New Jersey won a \$20 million jackpot and then a \$33 million jackpot from Powerball.

Executive Director Carey stated that fiscal year to date Pick-3 had total sales of \$452.8 million compared to \$408.6 million the prior year, which was an increase of 10.8%.

Executive Director Carey stated that fiscal year to date Pick-4 had total sales of \$290.9 million compared to \$261.4 million the prior year, which was an increase of 11%.

Executive Director Carey stated that fiscal year to date Jersey Cash 5 had total sales of \$180 million compared to \$133 million the prior year, which was an increase of 35%.

Executive Director Carey stated that fiscal year to date Cash Pop had total sales of \$41.9 million compared to \$19.5 million the prior year, which was an increase of 115%.

Executive Director Carey stated that fiscal year to date Quick Draw had total sales of \$110.6 million compared to \$109.8 million the prior year, which was a decrease of .08%.

Executive Director Carey stated that fiscal year to date Fast Play had total sales of \$28.8 million compared to \$17 million the prior year, which was an increase of 68%.

Executive Director Carey stated that fiscal year to date Scratch-Off tickets had total sales of \$2.07 billion compared to \$1.88 billion the prior year, which was an increase of 10%. This is the first time in New Jersey history that Scratch-Off tickets have exceed \$2 billion.

Executive Director Carey reviewed the Lottery's June's results and activities. Highlights were:

All games total sales were: \$296.6 million
Lotto games total sales were: \$30 million
Daily machine games total sales were: \$92.9 million
Scratch-Off tickets total sales were: \$173.7 million

Executive Director Carey stated that the total Contribution for the month was \$83 million compared to \$85 million the prior year, which was a decrease of 2.2%.

Executive Director Carey stated that Pick-6 had sales of \$3.9 million compared to \$4.4 million the prior year, which was a decrease of 11%.

Executive Director Carey stated that CASH4LIFE had sales of \$4.8 million compared to \$4.7 million the prior year, which was an increase of 2%.

Executive Director Carey stated that Mega Millions had sales of \$9.8 million compared to \$14.2 million the prior year, which was a decrease of 30%.

Executive Director Carey stated that Powerball had sales of \$11.3 million compared to \$7.4 million the prior year, which was an increase of 53%.

Executive Director Carey stated that Pick-3 had sales of \$38 million compared to \$38.4 million the prior year, which was a decrease of .09%.

Executive Director Carey stated that Pick-4 had sales of \$23.9 million compared to \$24.2 million the prior year, which was a decrease of 1.1%.

Executive Director Carey stated that summer is not our big season and we start to see a little dip in June through August.

Executive Director Carey stated that Jersey Cash 5 had sales of \$13 million compared to \$10 million the prior year, which was an increase of 22.7%.

Executive Director Carey stated that Cash Pop had sales of \$5 million compared to \$1.8 million the prior year.

Executive Director Carey stated that Quick Draw had sales of \$10 million compared to \$7.7 million the prior year, which was an increase of 29%.

Executive Director Carey stated that Fast Play had sales of \$2.7 million compared to \$1.1 million the prior year, which was an increase of 149%.

Executive Director Carey stated that the top three selling non-core games for June were "Raging Hot 7's," which generated \$10 million in sales, "Extreme Cash," which generated \$9.5 million in sales and "\$3,000,000 Mega Bucks," which generated \$9.1 million in sales.

Executive Director Carey reviewed high tier winners throughout the state in June.

Executive Director Carey stated that all drawings for the month of June were completed with no abnormalities.

Executive Director Carey 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.

Executive Director Carey stated that the New Jersey Lottery Festival of Ballooning will be held at Solberg Airport in Readington from July 23 to July 25. This is the 38th annual Festival of Ballooning. The New Jersey Lottery is the main sponsor of the event. This was supposed to be our second year sponsoring the Festival of Ballooning but last year's festival was cancelled because of the pandemic.

Executive Director Carey stated that the Validations Department received and sorted 3,851 mailed claims during the month of June. There were 389 received in the drop box. Staff entered 5,780 claims into CAP claims tracking system and edited 5,599 claims. During the month of June there were 4,428 claims totaling over \$20.8 million that were paid to winners including annuity payments.

Executive Director Carey stated that Lottery still has issues with a backlog on paying claim forms. He discussed steps the Lottery has taken to decrease wait times, and explained that the Validations unit has been coming into the office full time since February. Executive Director Carey thanked Nikki Roberts-Apeadu, the Supervisor of the Validations unit, and the staff of the Validations Unit. He stated that while we want our players to be paid quickly, and we realize how important it is, we have to take the safety of our employees into account.

Executive Director Carey stated that the Call Center answered 5,695 incoming calls during the month, of which 4,304 were claim status calls. The Call Center staff have been working hard all year under difficult circumstances. We have identified that the telephone system is not up to date and as efficient as possible. The Lottery will be updating the telephone system over the next year.

Executive Director Carey invited Adam Perlow, Vice President and Chief Operating Officer of Northstar, to provide an update on Northstar activities. Mr. Perlow stated that he wanted to recognize the really successful year Lottery had. It was an unprecedented year in terms of the pandemic, an unprecedented year in terms of sales and, at the same time, we were able to complete a once in a decade upgrade of the gaming system. Mr. Perlow stated that he wanted to recognize the Sales and Promotions teams. They have been out in the field since June 22, 2020. They were actually in the field all year working with retailers. Retailers expect a certain level of service from Northstar and Northstar exceeded that level of service. Many retailers told Northstar that the Lottery Sales team was the first sales team that they saw during the pandemic. Perlow also recognized the IGT team who implemented the new gaming system, they visited all of those 7,000 retailers and changed all of the equipment. Nearly every piece of equipment in the field was changed during the pandemic. Northstar's Marketing and Product teams worked really hard and really well to make sure we had the game changes that we wanted to implement and to make sure that we had up to date signage at all of those retail locations. There were some extremely successful advertising programs and a revamped social media presence as we moved a lot of our in-person marketing to the social media channels. Mr. Perlow thanked Executive Director Carey, Marc Marseglia, Ryan Schaffer, John White, Margaret Square and the whole Lottery team for a successful partnership that we had this year. It allowed us to do the work that we love to do, which is designing and selling lottery products. We did a great job together, standing shoulder to shoulder, in a very challenging environment. The teamwork that we had together was really the reason for such a successful year.

Executive Director Carey thanked Mr. Perlow. He stated that he would add a special thanks to the IGT technicians that were out installing those machines during the summer. That was a big project and it was front line work. They were out in the public, working hard to get those machines installed.

Executive Director Carey concluded the Director's report.

Vice Chair Blazovsky asked if there are any questions or comments.

Treasurer's Designee Ajmani added her thanks to what Executive Director Carey and Mr. Perlow just stated. She wanted to point out how great this board has been in terms of being the guide for the Division of Lottery and Northstar. Treasurer's Designee Ajmani stated that when Chairman D'Anton was on the turnpike and stopped at a service station he could not buy a Lottery ticket and he brought that up right away to the Division. She added that Vice Chair Blazovsky, on several occasions, has pointed out something that we may have overlooked and has been steadfast in being demanding and yet being supportive. She wanted to recognize how important that is to the success of this very important part of what the State does. We sometimes forget where this money goes. This money goes into the pension fund, which then makes sure that all retirees have a comfortable life not just today, but for years to come,

and that is a noble purpose. Treasurer's Designee Ajmani wanted to make sure that it was recognized, in addition to IGT, Northstar and the Division, that the board also deserves kudos.

Executive Director Carey thanked the Commissioners. He stated that it was a difficult year and the board had provided important guidance to help the New Jersey Lottery succeed.

Vice Chair Blazovsky thanked Executive Director Carey and Commissioner Ajmani. She wanted to express the gratitude of the Commission, on behalf of Chairman D'Anton. She wished that he were here to hear all of the good news and the thanks from the Division. She added that Lottery is not a Division; it is made up of people and employees who, time and time again, work together. Whether it is snow, torrential rain, and now a pandemic, it is really important to acknowledge them and the staff at IGT and Northstar. Those are just not names, those are people and they are working together to make Lottery products an entertaining entity.

Vice Chair Blazovsky asked if there were any other questions or comments.

Vice Chair Blazovsky requested a motion to approve the Director's Report. Commissioner Leonard made the motion, which was seconded by Investment Designee Terwilliger.

NEW BUSINESS

Executive Director Carey 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.

Vice Chair Blazovsky requested a motion to approve the Scratch-Off ticket game rules for "\$100 Doubler" and "\$1,000,000 Spectacular." Vice Chair Blazovsky asked if there were any questions or comments on these games.

Vice Chair Blazovsky stated that there is a current "\$1,000,000 Spectacular" game that is being offered. In addition, it has quite a few prizes left, one top tier prize, as well as a higher payout point. Vice Chair Blazovsky asked for some background on why, with an end date of 2025, we have another "\$1,000,000 Spectacular" game that will be on sale in December. Mr. Perlow stated that this game is a Core game and the annuity cash value is being updated. This game is going to replace the game currently in the market and will be printed in the coming months. Once the other game is sold out, this game will be introduced into the market. This is one of the staple \$10 games.

Vice Chair Blazovsky asked how "sold out" is defined since there is still a top prize and quite a few other prizes. Mr. Perlow responded that with all the Scratch-Off games we try to sell through that game greater than 90%. We try to keep that game in the market, and with very rare exceptions, until it exceeds 90% distribution and hopefully that last prize will be sold and claimed before we start shipping the new game. Vice Chair Blazovsky asked how much of that game is currently sold out. Mr. Perlow responded that it is currently at 80% sold.

Executive Director Carey stated that the cash value on the game that Vice Chair Blazovsky is referring to is \$869,000 and that is dropping to \$788,000.

Vice Chair Blazovsky asked if there were any questions or comments. Commissioner Leonard made the motion, which was seconded by Investment Designee Terwilliger. Vice Chair Blazovsky asked if there were any questions or comments and there being none the motion carried.

PUBLIC COMMENT

There was no Public Comment.

EXECUTIVE SESSION

There was no Executive Session.

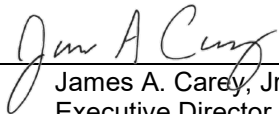
ADJOURNMENT

Vice Chair Blazovsky asked for a motion to adjourn the Public meeting. Commissioner Leonard made the motion, which was seconded by Vice Chair Blazovsky. 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 July 15, 2021.

IN WITNESS WHEREOF, I hereby set my hand on

the _____ 6th _____ day of _____ August _____, 2021.



James A. Carey, Jr.
Executive Director