

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, SEPTEMBER 18, 2014

Vice 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

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

Carole Hedinger, Executive Director
John Custodio, Deputy Executive Director
Roger Gibson, Deputy Attorney General
Christopher Howard, Governor's Authority Unit

STAFF

Denise Coleman
Duane Daniels
Michael DeCheser
Judy Drucker
Janice Eckstein
Karen Kokoll
Frances Lioudis
Megan Mazzoni
Richard Pagnani
Steven Palmieri
Deborah Raub
Mary Ann Rivell
Margaret Square
John White

VISITORS

Sarah Brennan, Northstar
Lou Cleary, Northstar
Sam Fromkin, Northstar
Bill Murray, Northstar
Joan Mueller, Brushfire

After the Pledge of Allegiance, Vice 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.

Vice Chairman Ragazzo requested a motion to approve the minutes of the August 28, 2014 Commission Meeting. Commissioner Alvarez made the motion, which was seconded by Commissioner Slater. Vice Chairman Ragazzo asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Executive Director Hedinger noted that the sales for this Fiscal year are slightly behind last year for the same time period. Even though August 2014 sales lag behind the prior year, August sales have generally averaged \$232 million for the past five years. This August's performance of nearly \$240 million is better than average.

Executive Director Hedinger stated that the receipts and deposits for the month of August were \$226.4 million.

Executive Director Hedinger reported that there were 102 electronic fund transfer (EFT) failures that totaled over \$266 thousand.

Executive Director Hedinger noted that the Accounts Receivable Unit settled or closed 86% of EFT fails from July.

Executive Director Hedinger stated that the Account Adjusters visited 318 retailers of which 55 visits resulted in the collection of \$192 thousand. EFT failures are currently at a low point, which bodes well for the condition and the economic health of our retailers.

Executive Director Hedinger reported that the balances in the unclaimed prize reserve accounts at the end of August are over \$30 million. The final contribution to the state for FY14 has not been made yet, so that number will change.

Executive Director Hedinger stated the current balances in the annuity investment accounts total over \$209 million.

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

Executive Director Hedinger reported that the top three selling non-core instant games contributed 15% of total sales and amount to almost \$19 million were "50X Money," "\$2,000,000 Mega Cash" and "\$10,000 Pay Day."

Executive Director Hedinger stated that core games made up approximately 38% of total instant sales with over \$50 million in sales. The top three non-core and core games make up about 53% of sales.

Executive Director Hedinger reported that the "Win For Life" family of games contributed approximately 11% to that total with \$14 million in sales.

Executive Director Hedinger stated that the three new games that were introduced in August were "World Series of Poker," "Bingo x 10" and "\$10,000 Pay Day."

Executive Director Hedinger noted that a variety of instant game advertising was completed during the month of August.

Executive Director Hedinger reported that CASH4LIFE continues to perform very well. We are maintaining an average of 23 cents weekly per capita; which is more than double than we anticipated for this game. We have had almost \$18 million in sales from this game in July and August.

Executive Director Hedinger noted that a pilot promotion was run at the 20 top selling Daily Game retailers to test a new promotion type before it rolls out network-wide.

Executive Director Hedinger reported that we had a CASH4LIFE promotion where if a player purchased a Mega Millions or Power Ball ticket, they received a CASH4LIFE ticket for free.

Executive Director Hedinger stated that we will continue to see a variety of promotions that are tested and then analyzed to see what works best.

Executive Director Hedinger noted that in September there was a Green Ball Double Draw that ran from September 1 through 14.

Executive Director Hedinger reported there was a Jersey Cash Refresh that began on September 14th.

Executive Director Hedinger stated that there was a Pick-3 promotion that gave players a chance to win a free Jersey Cash 5 ticket if they purchased a Pick-3 ticket for \$1 or more.

Executive Director Hedinger noted that those promotions are designed to increase draw game sales. These are our most profitable games and we have to maintain high sales in those profitable games to balance the higher prize payouts of instant games.

Executive Director Hedinger stated that all of our social media continues to attract a lot of attention.

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

Executive Director Hedinger noted that all pool closings were closed without problems.

Executive Director Hedinger stated that there were a number of Media events that took place in August. We continued to have press coverage from the Pick-6 drawing of June 16, 2014.

Executive Director Hedinger reported that in August we did our joint press conference with the Council on Compulsive Gambling of New Jersey on the "Not 18 Yet? No bet" Awareness Campaign. We do this joint event every year before the beginning of the school year.

Executive Director Hedinger noted that we regularly monitor any proposed Federal or State legislative activities for anything pertaining to us. There was one bill proposed that would require the Lottery to license bars and taverns to sell Keno games. However, Keno games operate out of the same terminal as regular lottery games. We are following the bill and are working with the Legislative Liaison for Treasury.

Executive Director Hedinger stated that Northstar works very closely with us on the Responsible Play Program. We are now working on a level 3 certification for responsible gaming. We were recently certified at level 2 by the World Lottery Association and we are already working on getting certified for level 3. We can demonstrate that we have very structured and proactive methods and steps that we take to make sure retailers do not sell to underage children and that we communicate effectively where help can be received for people that do have gaming problems.

Executive Director Hedinger reported that there were a number of events that we took part in this month. We will be very active in events through October.

Executive Director Hedinger invited the Commissioners to come to the NASPL conference in Atlantic City.

Executive Director Hedinger noted that there were many Speaker's Bureau Events held in August.

Executive Director Hedinger stated that there were 163 security investigations initiated in August.

Executive Director Hedinger noted there were 207 random field inspections conducted last month.

Executive Director Hedinger reported that the Licensing Unit received and processed 101 applications. There were 67 licenses were issued.

Executive Director Hedinger stated that there are 7,202 licenses issued as of August 31, 2014.

Executive Director Hedinger noted that we collected a total of \$1,019.53 for the month of August through our efforts with the Division of Taxation.

Executive Director Hedinger reported that the Operations Unit has continued meeting with NEC to replace our telephone system in September.

Executive Director Hedinger stated that Division of Revenue Enterprise Services (DORES), Northstar and Lottery had continued working sessions to get the network infrastructure re-design project moving forward.

Executive Director Hedinger noted that IMS unit met with DORES to discuss a migration of our email to the cloud.

Executive Director Hedinger reported that we responded to 157 email requests and inquiries from VIP Club members.

Executive Director Hedinger noted that the VIP Club continues to grow. In August we had 1,840 new registrations and are nearing the 280,000 mark with active members.

Executive Director Hedinger stated that since the Million Dollar Replay game began, a great many people have signed up to the VIP club. Once we begin the Monopoly Millionaires' Club in October, this club will grow by leaps and bounds. Entrants will have a chance to be selected as a contestant on a television game show that will air in February. The game show will be hosted by Billy Gardell from the television show "Mike and Molly."

A vote was held by the Monopoly Game Consortium that no one under 18 could participate or be a member of the audience because it is a Lottery related show where minors cannot buy tickets. This resulted in the rule change that will be voted on today. Each time there is a change to the game rules, we will bring them forward for a modification. A ticket can be gifted to a minor but they will not be able to participate in the television show or be in the audience. Some tweaks to the game rules may still occur prior to the launch of the game.

Executive Director Hedinger reported that the Validation Staff received and sorted almost 4,000 claim forms and over 300 walk-in claims during the month of August. They entered over 4,000 claims into the system and edited over 4,700 claims. They paid out over \$6.8 million in prizes.

Executive Director Hedinger noted that we are progressing on the new claims and payment system (the CAPS system). There are weekly meetings being held with a variety of people in Operations, Finance and Security to work through designing and engineering all the software for the new system and testing as we move along.

Executive Director Hedinger stated that there were 24 social security matches between our files and various agencies for arrearages.

Executive Director Hedinger reported that 24 claims were processed and garnished because of current and previous matches. Since inception in 1992, we have collected nearly \$7 million for child support and various set off programs.

Executive Director Hedinger noted that the Retailer/Call Center Services Unit handled almost 3,000 calls during the month of August. They made 415 outgoing calls to retailers. They handled 782 winner claim status calls during the month, with 153 of these calls answered at the front desk.

Executive Director Hedinger stated that the Warehouse unit did all their normal activities.

Executive Director Hedinger noted that our facilities unit had a variety of inspections and tests to our building systems to make sure everything was well maintained and kept up to date.

Executive Director Hedinger reported that it is important to note Northstar's employee count, specifically the number of people they have dedicated in sales and marketing. The number of retailers has increased by 542 since they began operations last October. There are a variety of other items that they took part in or promoted most of which were included in my director's report.

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

Vice Chairman Ragazzo asked if there were any questions or comments.

Commissioner Slater asked about our new email server and a discussion was held.

Commissioner Alvarez asked about the Keno legislation and a discussion was held.

Vice Chairman Ragazzo asked if the EFT failures meant that we were not paid by the retailers and a discussion was held.

Executive Director Hedinger introduced Megan Mazzoni as the new Deputy Director of Administration and Contract Compliance.

Vice Chairman Ragazzo asked if we were in the in the Miss America "Show Us Your Shoes" parade and a discussion was held.

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

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.

Vice Chairman Ragazzo requested a motion to approve the addendum to the "Monopoly Millionaires' Club" game rules. Commissioner Alvarez made the motion which was seconded by Commissioner Slater. Vice Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Vice Chairman Ragazzo requested a motion to approve the instant ticket game rules for "2015 Cash Spectacular." Commissioner Slater made the motion which was seconded by Commissioner Alvarez. Vice Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Vice Chairman Ragazzo requested a motion to approve the instant ticket game rules for "Win It All." Commissioner Alvarez made the motion which was seconded by Commissioner Slater. Vice 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

Vice 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 18, 2014.

IN WITNESS WHEREOF, I hereby set my hand on

the 17th day of October, 2014.


Carole Hedinger
Executive Director