

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING JANUARY 20, 2022

Chair D'Anton called the Commission meeting into session at 11:00 a.m.

COMMISSION MEMBERS (BY TELEPHONE)

Robert J. D'Anton, Chair
Marilyn Blazovsky, Vice Chair
Ian K. Leonard, Commissioner
Michael Kanef, Treasurer's Designee
Gary Terwilliger, Division of Investment Designee

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

VISITORS (BY TELEPHONE)

Adam Perlow, Northstar
Erica Helms, Northstar
Foster Krupa, Northstar
Sam Fromkin, Northstar
Kristen Connelly, Northstar
Erin Ziegler, Northstar

STAFF (BY TELEPHONE)

Missy Gillespie
Shelina Islam
Robert Kersey
Kelly Laird
Jason Lee
Jack Leo
Marc Marseglia
Charlene Mello
Ellen O'Malley
Joe Oleszkiewicz
Rick Pagnani
Steve Palmieri
Debbie Raub
Mary Ann Rivell
Ryan Schaffer
John White

At 10:00 a.m., Executive Director Carey opened the public telephone conference call line and announced that due to inclement weather, the public meeting was postponed from 10:00 a.m. to 11:00 a.m. The public telephone line remained open and was monitored until the meeting started at 11:00 a.m.

After the Pledge of Allegiance, Chair D'Anton 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.

Executive Director Carey took roll call.

Chair D'Anton requested a motion to approve the minutes of the December 16, 2021 Commission meeting. Commissioner Leonard made the motion, which was seconded by Investment Designee Terwilliger. Chair D'Anton asked if there were any comments and there being none, the motion carried.

DIRECTOR'S REPORT

Executive Director Carey reviewed December's results and activities. Highlights were:

All games total sales were: \$326.4 million
Lotto games total sales were: \$48.7 million
Daily machine games total sales were: \$89 million
Scratch-Off tickets total sales were: \$188.6 million

Executive Director Carey stated that December was another strong month for the New Jersey Lottery. It was led by very strong sales for Powerball. There were high jackpots during the month of December, including the run-up to a \$630 million jackpot that was won on January 5.

Executive Director Carey stated that Powerball had sales of \$25.9 million compared to \$16.8 million the prior year, which was an increase of 54.2%.

Executive Director Carey stated that Pick-6 had sales of \$4.4 million compared to \$5 million the prior year, which was a decrease of 13.2%.

Executive Director Carey stated that CASH4LIFE had sales of \$4.9 million compared to \$4.8 million the prior year, which was an increase of 2.5%.

Executive Director Carey stated that Mega Millions had sales of \$13.4 million compared to \$17.2 million the prior year, which was a decrease of 22.5%.

Executive Director Carey stated that Pick-3 had sales of \$36.3 million compared to \$35.5 million the prior year, which was an increase of 2.1%.

Executive Director Carey stated that Pick-4 had sales of \$23.5 million compared to \$23.5 million the prior year.

Executive Director Carey stated that Jersey Cash 5 had sales of \$13.6 million compared to \$14.5 million the prior year, which was a decrease of 5.9%.

Executive Director Carey stated that Cash Pop had sales of \$3.3 million compared to \$2.8 million the prior year, which was an increase of 16%.

Executive Director Carey stated that Quick Draw had sales of \$9.4 million compared to \$8.8 million the prior year, which was an increase of 6.6%.

Executive Director Carey stated that Fast Play had sales of \$2.68 million compared to \$2.66 million the prior year, which was an increase of 0.08%.

Executive Director Carey stated that Scratch-Offs had sales of \$188.6 million compared to \$176.4 million the prior year, which was an increase of 6.9%. Sales were strong in the last fiscal year and a 6.9% increase on Scratch-Off sales year over year was encouraging.

Executive Director Carey stated that All Games had total sales of \$326.4 million compared to \$308.5 million the prior year, which was an increase of 5.8%.

Executive Director Carey stated that Lottery will report the sales results from the New Year's Raffle next month. He explained that the sales results from the raffle will be reported as part of the January results because sales for most games are recorded at the time of drawing when pools close. The pools closed for the New Year's Raffle on January 1, 2022. Executive Director Carey went on to state that maximum sales were anticipated to be \$10 million, but actual sales were only approximately \$4 million. Executive Director Carey stated that the results will be discussed with Northstar.

Executive Director Carey stated that the monthly contribution for the month was \$99 million compared to \$93.2 million the prior year, which was an increase of 6.2%.

Executive Director Carey stated that the average contribution for the first six months of the year was approximately \$91 million a month. He noted that December was one of the high sales spike months that Lottery depends on because either Powerball or Mega Millions generated a lot of excitement

Executive Director Carey stated that fiscal year to date Pick-6 had total sales of \$29.3 million compared to \$27.5 million the prior year, which was an increase of 6.6%.

Executive Director Carey stated that fiscal year to date CASH4LIFE had total sales of \$30 million compared to \$29 million the prior year, which was an increase of 3.4%.

Executive Director Carey stated that fiscal year to date Mega Millions had total sales of \$76.6 million compared to \$67.1 million the prior year, which was an increase of 14.1%.

Executive Director Carey stated that fiscal year to date Powerball had total sales of \$128.8 million compared to \$65.5 million the prior year, which was an increase of 96.7%.

Executive Director Carey stated that fiscal year to date Pick-3 had total sales of \$221.1 million compared to \$221.5 million the prior year, which was a decrease of 0.02%.

Executive Director Carey stated that fiscal year to date Pick-4 had total sales of \$141 million compared to \$144 million the prior year, which was a decrease of 2.2%.

Executive Director Carey stated that fiscal year to date Jersey Cash 5 had total sales of \$82.1 million compared to \$90.5 million the prior year, which was a decrease of 9.3%.

Executive Director Carey stated that fiscal year to date Cash Pop had total sales of \$22 million compared to \$14.8 million the prior year, which was an increase of 48.3%.

Executive Director Carey stated that fiscal year to date Quick Draw had total sales of \$56.4 million compared to \$51.6 million the prior year, which was an increase of 9.4%.

Executive Director Carey stated that fiscal year to date Fast Play had total sales of \$15.8 million compared to \$10.7 million the prior year, which was an increase of 47%.

Executive Director Carey stated that fiscal year to date Scratch-Off tickets had total sales of \$1.032 billion compared to \$1.007 billion the prior year, which was an increase of 2.6%. Last fiscal year was the first year we broke \$2 billion in Scratch-Off sales.

Executive Director Carey stated that fiscal year to date All Games had total sales of \$1.8 billion compared to \$1.7 billion the prior year, which was an increase of 6.2%.

Executive Director Carey stated that net proceeds for the fiscal year to date exceeded \$548.4 million or 29.86% of sales. Fiscal year profits from lotto games were \$109.7 million or 41.4% of sales. Fiscal year profits from daily games were \$207.7 million or 38.5% of sales. Fiscal year profits from Scratch-Offs were \$222.4 million or 21.5% of sales.

Executive Director Carey stated that the top three selling non-core games for December were "100X The Cash," which generated \$11.8 million in sales, "Crossword Bonanza," which generated \$10.8 million in sales and "\$1,000,000 Spectacular," which generated \$8.9 million in sales.

Executive Director Carey stated that total sales for Core and Family games for the month were the Crossword core games, which generated \$35.5 million in sales, the Multiplier family of games, which generated \$22.1 million in sales and the Spectacular family of games, which generated \$16.5 million in sales.

Executive Director Carey stated that new games that launched on January 3 were "Quick 7's," "Big Money Spectacular," "\$100,000 Bankroll Bingo" and "\$3,000,000 Platinum Club."

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

Executive Director Carey stated that all drawings for the month of December 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 Validations Unit received and sorted 3,089 mailed claims during the month of December. The number of claims received in the drop box was 312. There were 20 hand delivered claims submitted during scheduled appointments. During the month of December there were 3,132 claims totaling over \$15.2 million that were paid to winners including annuity payments.

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 every December there is a big focus on holiday sales. We had our holiday advertising campaign, which was a tier one campaign, meaning there were advertisements on TV, radio, billboards and out of home. Northstar had a big focus on Walmart during the holidays, and he added that New Jersey is now one of the top five performing lotteries in

Walmart stores across the country. The week of Christmas was our best week of Scratch-Off sales in the history of the New Jersey Lottery, with over \$48 million in sales. Mr. Perlow recognized the hard work by everyone at Northstar, IGT, the Lottery and our retailers to make December such a successful month.

Executive Director Carey added that the Lottery had a great month in December. The fact that Scratch-Off sales were up 6.9%, was a testament to our retailers and Northstar's Sales team.

Executive Director Carey concluded the Director's report.

Executive Chair D'Anton asked if there are any questions or comments.

Treasurer's Designee Kanef asked if we are going to defer an extended conversation about the New Year's Raffle until the next Commission meeting. Executive Director Carey responded that we will report the results next month. He stated that he would like to give Mr. Perlow a good opportunity to respond and finish their review and analysis.

Chair D'Anton asked if there are any additional questions or comments. Chair D'Anton requested a motion to approve the Director's Report. Commissioner Leonard made the motion, which was seconded by Vice Chair Blazovsky.

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.

The first item of new business was game rules for new Scratch-Offs.

"Triple Double Diamond" is a \$5 ticket, a ticket quantity to be printed of 5.4 million tickets, a top prize of \$200,000, a prize payout of 64%, and an anticipated on-sale date of July 5, 2022.

"Bingo Bonus Square" is a \$5 ticket, a ticket quantity to be printed of 5.1 million tickets, a top prize of \$100,000, a prize payout of 64%, and an anticipated on-sale date of June 6, 2022.

"\$1,000,000 Diamond Spectacular" is a \$20 ticket, a ticket quantity to be printed of 7.2 million tickets, a top prize of \$1,000,000, a prize payout of 70%, and an anticipated on-sale date of May 2, 2022.

Chair D'Anton asked if there are any questions regarding the approval of the three Scratch-Off ticket game rules. Hearing no questions, Chair D'Anton requested a motion to approve the Scratch-Off ticket game rules for "Triple Double Diamond," "Bingo Bonus Square" and "\$1,000,000 Spectacular." Commissioner Leonard made the motion, which was seconded by Treasurer's Designee Kanef. Chair D'Anton asked if there were any questions or comments, and there being none, the motion carried.

The second item under new business was game rules for one Fast Play game.

"Lightning Riches" is a \$5 ticket, a top prize of \$500 or 50% of the jackpot, a prize payout of 63%, and an anticipated on-sale date of March 18, 2022.

Chair D'Anton asked if there are any questions regarding the approval of the Fast Play ticket game rules. Hearing no questions, Chair D'Anton requested a motion to approve the Fast Play ticket game rules for "Lightning Riches." Vice Chair Blazovsky made the motion, which was seconded by Commissioner Leonard. Chair D'Anton asked if there were any questions or comments, and there being none, the motion carried.

UPDATE ON CLAIMS PROCEDURES

Lottery's Chief of Staff, Marc Marseglia, stated that at the November meeting, we identified a need to do a deep dive into what has happened with our claims process throughout the pandemic. He briefly reviewed the Lottery's process for paying claims and explained that the global pandemic caused problems with the existing processes. He noted that the pandemic created personnel problems ranging from people out of work because they were sick or on quarantine, to people who went on leave to care for children sent home from school, to furloughs. The report would be forwarded to the Commissioners following the meeting.

Executive Director Carey thanked Mr. Marseglia for preparing this report and for looking into this. The Lottery is going to work hard to improve these processes during this year. He stated that he was extraordinarily proud of the work that the Lottery did during the pandemic, particularly the Draw and Validations teams, who had to work in the office during almost the entire pandemic. Executive Director Carey added that wanted to address why we did not pay all of our people overtime when claims payments started to be delayed. He explained that overtime was not an option because we were trying to limit the time people spent in the office, and because most of the staff in the Validations Unit also work draws late at night, which could have resulted in people being on site for 14 hours in a day, during the pandemic.

Executive Director Carey asked if there were any questions.

Vice Chair Blazovsky stated that a player had called into the Commission meeting in November and had said that he was concerned about the length of time to process claims and that players could not come in in-person to submit claims. The direction that the Commission gave to the staff was to look at where we are and where we need to go. She asked if the report address those questions. Mr. Marseglia stated that the report addresses how the claims process slowed down, and more generally addresses future plans. He added that regarding the player's questions about making more appointments available for in-person submission of claims, there are a lot of resources that we have to pull together for these appointments. While we are still trying to keep it limited to a couple of days, we have made appointments on other days for people that could not work within the days we were trying to get them scheduled. We are trying to be a little bit more flexible with that.

Vice Chair Blazovsky stated that it is just important that we remember that Lottery does not exist without the players and the concerns that Mr. Campbell raised were very serious. She stated that she hopes that this report provides a road map forward with target dates that will address those issues.

Vice Chair Blazovsky stated that she still does not understand that Lottery is entering more claims than we are receiving. For example, the number of claims received were 3,421 and the number claims entered into the system were 4,726. That means Lottery is still working off a backlog. She asked what is that backlog and what is the age of the claim in that backlog? Mr. Marseglia responded that it is around six weeks. There was a brief shut down in December for issuing checks because of tax reporting reasons. He also noted that Lottery only had about half of the claims staff in the office recently because of COVID issues.

Executive Director Carey added that we appear to be through the worst of the pandemic, in many ways we are still in the thick of it. He explained that in recent weeks, State offices returned to work from home, staff were quarantined, employees have had COVID, and employees have had childcare issues. Lottery has ideas for improving in the future and we are hopeful that we can move on to those ideas and bring claims payment processes into a much more updated system.

Vice Chair Blazovsky asked what is the target date for improving those time frames? She also asked how a six week time frame translates into the number of actual backlog? She asked if that means that from the time a claim comes in, a player will not see a check for six weeks? Vice Chair Blazovsky stated that was a concern of Mr. Campbell's because he said that even though they were telling him six weeks, that wasn't happening. Mr. Marseglia responded that the process is not the same for every claim. We calculate the six weeks based on when we have it in the building from when we send it off for payment. The back end of the claim process is somewhat out of our hands. There is a vendor who actually cuts, prints and mails the checks. That is a part of the process that we may never be able to change, which is why we are looking at other options to pay people.

Executive Director Carey added that we do not have time targets in the report right now. We are exploring different options. Some of the options are internal and deal with work processes among the current staff and using the current systems to improve the process. We will be working on longer-term items all year with Northstar. All year may sound vague and a long time, but we want to create long-term solutions.

Vice Chair Blazovsky stated in the interest of time, she hold off on further questions until she sees the report. She thinks that this requires further attention and that the Commission has a responsibility to Mr. Campbell and the concerns that he raised.

Chair D'Anton asked if there are any additional questions or comments.

PUBLIC COMMENT

Roy Campbell thanked Executive Director Carey and the Commission, especially Vice Chair Blazovsky, for looking into the issue about getting people paid. He appreciated it and knows the players will, as well. Executive Director Carey thanked Mr. Campbell. He stated that the Lottery appreciated his call. It is important and he brought up a very fair issue and bringing it to the Commissioners' attention is appropriate. That is why we are responding in this level of detail.

Mr. Campbell thanked Missy Gillespie, Lottery's Communications Manager, for issuing a press release about this. A lot people called him and said that they saw the press release on the website. They were glad to know that the process is being looked at and improved.

Kweku Grant asked if the Commission report regarding the claims process during the pandemic would also be available to the public.

EXECUTIVE SESSION

There was no Executive Session.

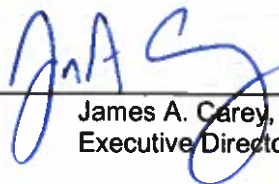
ADJOURNMENT

Chair D'Anton asked for a motion to adjourn the Public meeting. Commissioner Leonard made the motion, which was seconded by Treasurer's Designee Kanef. 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 January 20, 2022.

IN WITNESS WHEREOF, I hereby set my hand on

the 9 day of February, 2022.



James A. Carey, Jr.
Executive Director