

Massachusetts State Lottery Commission

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DATE: Monday, August 31st

TIME: 10:00 a.m.

MEMBERS PRESENT: Deborah Goldberg, Treasurer and Receiver General
Daniel Bennett, Executive Office of Public Safety
Tom Shack, Comptroller
Doug Levine, General Counsel, Executive Office of Public Safety

ALSO PRESENT: Michael Sweeney, Interim Executive Director, Lottery
Edward Farley, Chief Administrative Officer, Lottery
Christian Teja, Director of Communications, Lottery
Deirdre Richardson, Chief Financial Officer, Lottery
Judy Moore, Executive Assistant, Lottery

James MacDonald, First Deputy Treasurer
Sarah Kim, General Counsel, Treasury
Jon Ostrowsky, Policy Director, Treasury
Chandra Allard, Deputy Communications Director, Treasury

Andy Metzger, State House News Service
Robert Frasca, Interested Member of the Public

I. Opening of Meeting:

Treasurer Goldberg opened the meeting at 10:13 a.m.

II. Approval of Minutes from July 23, 2015

Treasurer Goldberg asked the Commission to accept the minutes of the meeting from July 23, 2015. Commissioner Shack made a motion to accept the minutes of the meeting and Commissioner Bennett seconded the motion. The motion passed unanimously. The minutes were approved at 10:14 a.m.

III. Executive Director Report

- a. Sales Update**
- b. Marketing Update**
- c. New Policy – Senior Lottery Staff**

Interim Executive Director Sweeney began the meeting by delivering the Lottery's Sales Update announcing that Sales for July 2015 were up \$23.6 million over last year and the prize payout percentage for the month was 74.10 percent, an increase from last July which was at 70.99 percent in July 2014. The increase in prize payout resulted in an \$8.4 million decrease in net profits from the prior year. The July 2015 net profit was \$66.5 million compared to \$74.9 million in July 2014. As discussed in prior meetings, the prize payout percentage fluctuates based upon a number of factors including the schedule or rate at which players cash in their prizes. Additionally, instant game tickets with higher price points feature higher payout percentages. Interim Executive Director Sweeney explained prize payouts for the \$10, \$20 and \$30 tickets have a much higher payout rate than the \$1.00, \$2.00 and \$5.00 tickets. Customers drive more towards those \$10 plus tickets, and 50% of July sales were at price points above \$10.00. The Lottery will continue to monitor the prize payout closely as it could impact profitability throughout the year.

The ever strong Instant Ticket portfolio saw a \$16.2 million sales increase in July following the release of four new games, (\$1, \$2, \$5 and \$10) in late June and continued excitement in the marketplace around the \$30 Supreme Millions ticket that launched at the end of April. In addition, KENO sales experienced an increase of \$4.7 million and Mega Millions sales in July 2015 were up \$2.1 million as compared to July of last year.

Powerball sales fell approximately \$700,000 below July 2014 sales. Jackpot Poker continues to experience a sales decrease in July and was down just under \$50,000 in sales. Interim Executive Director Sweeney said that the Lottery is currently exploring a replacement for Jackpot Poker with a game under serious consideration. He then asked Lottery Chief Administrative Officer, Ed Farley, to provide details on the timeline of the new game. Chief Administrative Officer Farley explained that the Massachusetts Lottery just secured permission from the Texas Lottery on a game which tested very well in Massachusetts. He went on to say that we are working on front end graphics with outside vendors and that we anticipate that the next iteration will prove a success.

Interim Executive Director Sweeney discussed the performance of each individual game within the Lottery's portfolio, which included:

- August Instant Ticket Sales:
Interim Executive Director Sweeney provided an update on August Instant Ticket sales saying that across the board, sales were very good. He noted the \$1.00 *Money Bags*, the \$2.00 *Break the Bank* and the \$5.00 *Jumbo Bucks* tested well in focus group sessions prior to their full development, remarking that it is nice to see it translate well into the marketplace.
- Agent Incentive for 2014 Patriots Instant Ticket
Interim Executive Director Sweeney discussed the Agent and Player Incentives coming up this month which is centered on the New England Patriots \$5.00 Instant ticket. Agents and players were notified through a variety of means including social media and in advertisements within retail stores. Each day, beginning August 31st

through September 11th, agents with an activated 2014 Patriots book will be chosen at random to win \$1,000 each and there will be twenty-four winners in all. He went on to say that by Agents keeping this game visible, it presents the opportunity to reengage Players with the game and with the kick-off of the season, it is a good time to push the ticket back out into the public.

- New Instant Ticket Release for September

Interim Executive Director Sweeney introduced the September Ticket release scheduled for September 15th with price points of (\$1, \$2, \$5, and \$20). He pointed out to the Commissioners the two \$5 Halloween themed tickets commenting that historically, themed tickets tend to be popular. He went on to say that all of these tickets were focus group tested and did extremely well. Referring to the bright design on the new instant tickets, Commissioner Shack asked if the analysis of the focus groups take into consideration the use of color. Interim Executive Director Sweeney replied by saying that characteristic of the color, word choice, and the type of font, are all taken into consideration. He explained that there are different groupings of players, meaning that the \$1, \$2, and \$5 dollar players generally tend to stay in that range and won't jump up to purchase a ticket in the \$20 range. Conversely, someone who purchases a \$20 or \$30 ticket, is a little less likely than the average customer to purchase a \$1 ticket. Chief Administrative Officer Farley added that one other consideration is that the Lottery launches just one \$20 ticket each year, and it's important to have something that will stand out from the other \$20 tickets that are already on the shelves. Interim Executive Director Sweeney shared that it was evident during the focus group that players are extremely conscious of the prize payout. He added that the consumer is sophisticated, familiar with the games and the odds in general, however, there are still the casual buyers who respond to the colors and the design. Interim Executive Director Sweeney outlined the details of the Point of Sale (POS) advertising to support the September release and provided to the Commissioners each piece that the Lottery intends to distribute. The social media graphics featured on the Lottery's Facebook, YouTube, Homepage and Twitter accounts supporting these new Instant Tickets were then displayed. Interim Executive Director Sweeney said that the Lottery is focusing on better utilizing and engaging social media.

- Other Game Sales:

Interim Executive Director Sweeney shared additional details across the Lottery's game portfolio.

- KENO sales continue to be a strong performer for the Lottery. Referring to the *Unadjusted Non Fiscal Year chart, August 2012 through July 2015*, he pointed out sales are up almost \$5 million higher from the previous year. The Lottery will be offering a promotion around KENO for players during the Labor Day weekend. Every non-winning KENO, KENO Bonus & KENO-To-Go ticket sold from September 4-7, will automatically be entered into a second chance drawing for the opportunity to win \$2,015. Twenty (20) serial numbers will be randomly selected from the pool of non-winning tickets sold during the promotional period. The results will be posted on masslottery.com.
- Jackpot Poker game sales continue to lag, approximately \$50,000 decrease in sales from last year, and as the Lottery tests new games, it is in the process of being phased out.
- Numbers Game sales displayed a marginal increase with numbers that track pretty consistently year over year.
- Mass Cash Game had a slight increase with little fluctuation year over year.

- Megabucks Doubler Game sales are a fraction above performance this year. Pointing out that these sales are jackpot dependent, Interim Executive Director Sweeney added that the last two months has seen good strong numbers.
 - Lucky for Life, one of the multi-state draw games, needs to be reenergized. Interim Executive Director Sweeney informed the Commissioners that the directors from the multiple states have engaged in discussions this past month about creating a more vibrant campaign to increase public participation.
 - Mega Millions is driven by the jackpot amounts and continues to be a strong performer.
 - Powerball Game Monthly sales are satisfactory. Participation is driven by the jackpot and with recent winners, that jackpot has been unable to build, thus the slow performance.
- Powerball Matrix Change.** Interim Executive Director Sweeney stated that this October, in an attempt to revitalize and generate renewed interest in the game, the Powerball matrix will be undergoing a change in an effort to build higher jackpots that will capture the public’s attention and renew interest. The format of the game will be changing to increase the odds of winning a prize . The last drawing using the current matrix will be October 3rd. Ticket sales using the new matrix will begin on October 4th and the first drawing using the new matrix will be on October 7th. These changes have all been pushed out to the retail agents as well as the public. (Please reference the handout to provide the details that were discussed).
- Jackpot Awareness, “Always On” Digital Advertising. The Lottery made an investment of \$113,000 for the first quarter of FY16 to have continuous Jackpot Awareness presence on a variety of high-traffic and high visibility websites and on mobile devices and tablets. As the Lottery is keenly aware that what captures the public’s attention is now moving away from the desktop and laptops and increasingly towards phones. Chief Administrative Officer Farley pointed out the reference to the scrolling message in the report, saying that it is a direct effort to get people to click and come into the website.

Interim Executive Director Sweeney recapped overall sales saying that Net Profit is down compared to July 2014 which is directly attributable to higher prize payouts and the Lottery will be watching it closely.

Interim Executive Director Sweeney continued the discussion by giving an overview of the Mega Cash \$20 Million Bonus Drawing saying that the \$20 Mega Cash instant ticket, which was launched in 2009 includes an end of game Bonus Drawing for a \$20 million dollar prize that will be conducted in either September or October, 2015.

Interim Executive Director Sweeney concluded by saying that for the most part, MSLC Gross Sales for all games are doing well. Instant Tickets and KENO continue to be the biggest drivers. Year over year Gross Sales overall are up approximately 6.4 percent. Interim Executive Director Sweeney also took a moment to mention that Lottery staff has been working with the Massachusetts Council on Compulsive Gambling in participating in monthly conference calls, attending meetings, and the Lottery took an active role in participating in Responsible Gaming Education Week, August 3-7.

d. New Policy – Senior Lottery Staff

Interim Executive Director Sweeney referred the Commission to the third tab of the Commission booklet in discussing a new policy to be implemented at the end of August. The new policy impacts non-union, senior level employees and will prohibit them for one year from the date of separation from their employment with the Lottery to engage in any Massachusetts Lottery product. There have been instances in the past when senior management after leaving their positions with Lottery, have claimed a prize shortly thereafter. Despite amounts having been minor, he doesn't think that the public would react favorably to a senior level employee claiming a prize of a significant sum upon leaving their Lottery position. Interim Executive Director Sweeney was happy to report that all of the senior employees readily agreed to the change.

Treasurer Goldberg approved the policy stating that it makes a lot of sense, and it is critical to ensure the integrity of the Lottery. Any inference at all that someone could have an advantage, then it harms the Lottery's ability to operate. The Commission members were in agreement.

IV. Notes Presented to the Commission

There were no votes on the agenda for this meeting.

V. Other matters related to the purchase of goods and services by the Lottery

After asking if there was any other business to discuss, Treasurer Goldberg sought a motion to adjourn the meeting. Commissioner Shack made the motion to adjourn, Commissioner Bennett seconded the motion. The motion passed unanimously. The meeting adjourned at 10:41 a.m.