



Government Operations Subcommittee

**Tuesday, September 20, 2011
4:00 PM
306 HOB**

Meeting Packet

**Dean Cannon
Speaker**

**Jimmy Patronis
Chair**

Committee Meeting Notice

HOUSE OF REPRESENTATIVES

Government Operations Subcommittee

Start Date and Time: Tuesday, September 20, 2011 04:00 pm
End Date and Time: Tuesday, September 20, 2011 06:00 pm
Location: 306 HOB
Duration: 2.00 hrs

Update on Powerball by the Department of the Lottery

Update on implementation of SB 2100 (2011), relating to retirement, by the Department of Management Services and the State Board of Administration

NOTICE FINALIZED on 09/13/2011 15:51 by Godwin.Chandra



Changes to Powerball with Power Play

Presentation to the House Government Operations
Subcommittee

September 20, 2011

Cynthia O'Connell
Secretary





Powerball Background Information

❑ Florida Lottery began selling POWERBALL tickets in January 2009

➤ \$1.15 billion in sales since then

❑ Today POWERBALL is sold within 44 U.S. Lottery jurisdictions

❑ Florida Lottery players have won more than \$570 million in POWERBALL prizes

➤ 4 POWERBALL jackpot winners

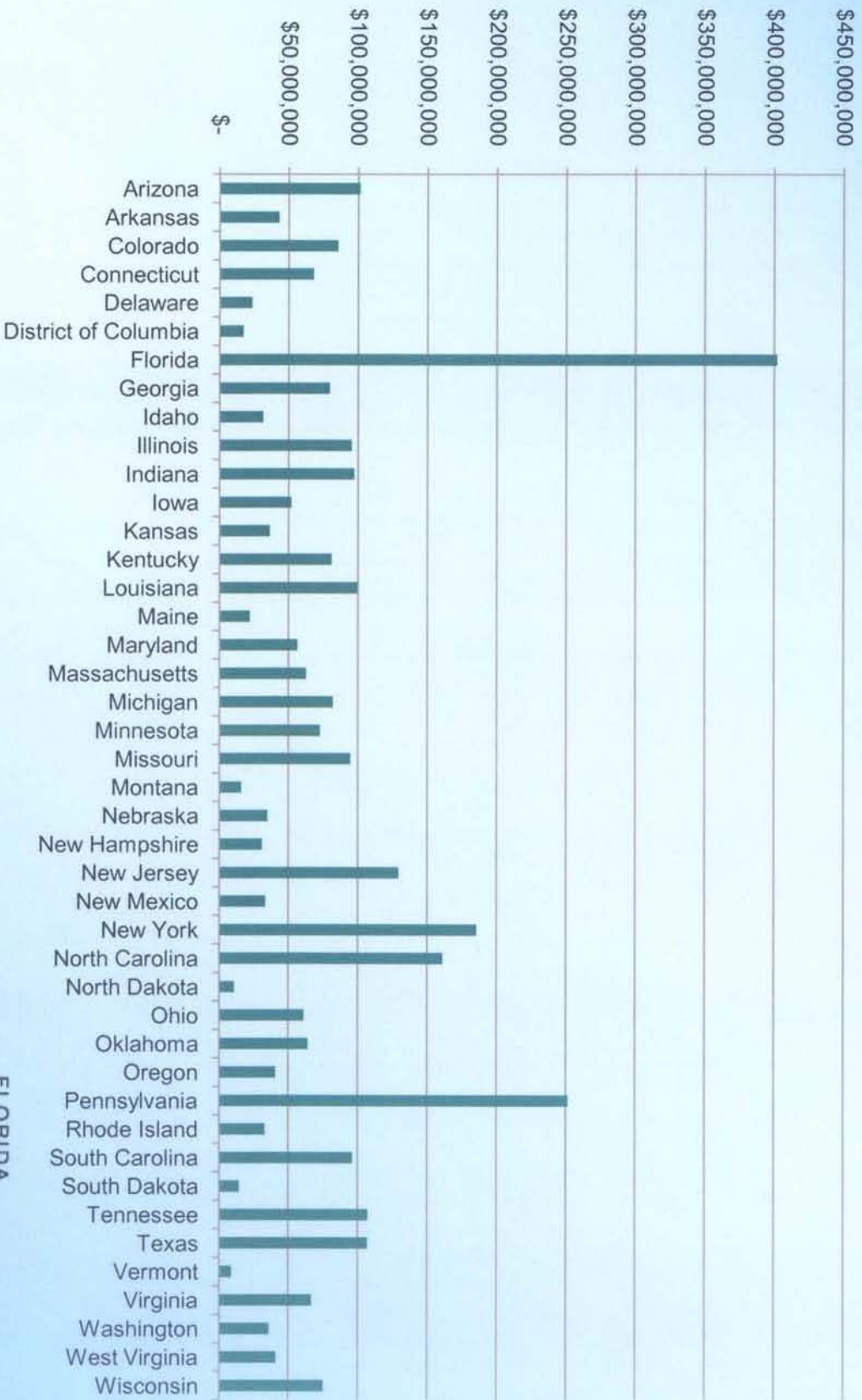
➤ 28 \$1 million dollar winners

➤ 148 \$200,000 prize winners

❑ POWERBALL has generated more than \$460 million for the Educational Enhancement Trust Fund (EETF)



Florida is the National Leader in Powerball Sales





Florida Big Jackpot Game Sales





Powerball Changes

Beginning January 15, 2012--

- Higher Starting Jackpot: \$40 Million--up from \$20 million
- Higher Second Prize (\$1,000,000)--up from \$200,000
- Improved Odds

Players will now choose one bonus ball from 35 rather than 39



1:175 Million jackpot odds--down from 1:195 million
1:31 overall odds (down from 1:35)

- Higher Ticket Price: \$2--up from \$1



Appeal to Lottery Players

- Higher starting jackpots
- \$1 million cash second prize (5-of-5 match)—More millionaires per drawing
- Better odds of winning and more winners
- Average jackpot hit is expected to increase from \$144 million to \$255 million.



Expect Favorable Player Response Overall

- ❑ Florida has by far the strongest Powerball sales of any U.S. lottery
 - \$1.15 billion in sales to date

- ❑ October 2010 research
 - A strong majority (68%) of Florida players surveyed reacted favorably to three slightly different \$2 Powerball concepts

 - Nationally, survey research found that players were accepting of the \$2 price point for Powerball

- ❑ Players can continue to choose to spend \$1 per play on one of the Nation's strongest state big-jackpot games—FLORIDA LOTTO.



Benefits to Florida

- ❑ Likely higher sales (and Educational Enhancement funding)
 - Higher price will bring higher sales despite expected decrease in number of plays
 - Jackpots likely to rollover more often and grow more quickly due to reduced number “coverage” and more dollars in jackpot pool
 - Offers better product differentiation between our in-state lotto game and national games.
- ❑ Retailers make better commission (10¢) on higher-priced tickets
- ❑ Better odds, better prizes for players



Changes to the Power Play Option

\$2 POWERBALL®		\$1 POWER PLAY
5 + PB	\$40 Million*	
5	\$1,000,000	\$2,000,000
4 + PB	\$10,000	\$40,000
4	\$100	\$200
3 + PB	\$100	\$200
3	\$7	\$14
2 + PB	\$7	\$14
1 + PB	\$4	\$12
0 + PB	\$4	\$12



Sales Forecast

Lottery Revenue Estimating Conference: September 8

- Forecasted the sales impact of the game change on Powerball sales to be +\$81 million for the partial year this fiscal year and \$176 million next fiscal year
- However, believing that the majority of this increase will come at the expense of Lotto, Fantasy 5 and Power Play—estimated the net sales gains to be \$21 million and \$46 million respectively.



Questions?

Thank you

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HOUSE GOVERNMENT OPERATIONS SUBCOMMITTEE

September 20, 2011

Senate Bill 2100 Implementation Review

Division of Retirement

Updates Completed

- Senate Bill 2100 summary posted to the website in mid-May 2011.
- Information releases sent to:
 - Florida Retirement System (FRS) employers in late May 2011 about required employee contribution and the method for reporting employee contributions.
 - State universities and the Department of Financial Services in late May 2011 about required employee contribution and separate reporting and tracking for participants of the State University System Optional Retirement Program (SUSORP) and the Senior Management Service Optional Annuity Program (SMSOAP).
 - FRS employers at the end of May about the reporting plan codes and employer contribution rates, including the unfunded actuarial liability reporting on the salaries of the participants in the SUSORP, SMSOAP, and the State Community College Optional Retirement Program, effective July 1, 2011, with a summary of 2011 legislation.
- Provided notice in mid-June to FRS Pension Plan members and participants in the other optional retirement programs for the state universities, state community colleges, and state senior managers about required employee contributions and other 2011 legislative changes.
- Division of Retirement and the State Board of Administration held web casts about the 2011 legislative changes for FRS members and employers in mid-June 2011. These web casts were recorded and are posted to the websites.
- Updated all the program descriptions, FRS Quick Clips and Frequently Asked Questions on the website to include required employee contributions and other 2011 legislative changes.
- Revised member annual statements to include 2011 legislative changes.
- Publications:
 - July 2011 Retiree Newsletter.
 - Employer Handbook.
 - Retirement Online Help Modules.
 - Retirement guide for the Elected Officers' Class.
 - Retirement guide for the Senior Management Service Class.
 - Retirement guide for the Special Risk and Special Risk Administrative Support Classes.
 - Retirement guide for the Regular Class.
 - Preparing to Retire.
 - Deferred Retirement Option Program.
- Revised valuation-based calculator to determine the actuarial present value cost of transferring membership between the Pension Plan and the Investment Plan.

HOUSE GOVERNMENT OPERATIONS SUBCOMMITTEE

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Senate Bill 2100 Implementation Review

Division of Retirement

Updates Completed (continued)

- Calculator to determine the actuarial accrued liability cost of transferring from the Investment Plan to the Pension Plan.
- Completed 22 systemic process changes impacting 220 separate program components including 28 program components for the Investment Plan.
- Completed hiring three of the four positions authorized by SB 2100 for the workload increase related to employee contributions and processing refunds of employee contributions.

Updates in Process to be Completed before January 1, 2012

- Twenty-four other systemic changes in process.
- Hire the fourth position authorized by SB 2100.
- Member annual statements are printed and will be distributed with the 2011 FRS Bulletin.
- Publications:
 - After You Retire is being printed.
 - 2011 FRS Bulletin is being printed; will be distributed with the member annual statements by end of September.
 - Survivor Benefits.
 - Disability Benefits.
- Revise valuation-based calculator to determine the actuarial accrued liability cost of upgrading service credit.

Statistics

- Employer reporting errors for July 2011 were at 3 percent which is the same as last year when we had the rate change in employer contributions only.
 - Two universities did not include the UAL amount in the employer rate for SUSORP (one university for one bi-weekly and the other for 2 bi-weekly payrolls).
 - Only three local agencies out of 943 did not include employee contributions on the July retirement report.
- Total DROP Applications for effective dates in:

	2011	2010	2009
May	1295	1127	598
June	7154	3030	682

HOUSE GOVERNMENT OPERATIONS SUBCOMMITTEE

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Senate Bill 2100 Implementation Review

Division of Retirement

Statistics (continued)

- Account audit requests received in:
 - May and June 2011 – 8,071
 - May and June 2010 – 6,452
 - May and June 2009 – 5,209
- Presented at 38 employee retirement planning seminars from May 2011 through August 2011 with 3,995 attendees
- Telephone calls and visitors received by the division:

2011	Calls Received	Visitors
May	43,968	327
June	44,438	319
July	36,924	268
August	41,432	269
Total	166,762	1,183

2010	Calls Received	Visitors
May	36,881	282
June	38,697	215
July	36,709	224
August	39,595	249
Total	151,882	970

2009	Calls Received	Visitors
May	28,089	211
June	33,180	266
July	35,184	250
August	33,672	270
Total	130,125	997

- Web hits to the Senate Bill 2100 summary:
 - May 2011 – 37,090
 - June 2011 – 8,839
 - July 2011 – 3,842
 - August 2011 – 1,557

HOUSE GOVERNMENT OPERATIONS SUBCOMMITTEE

September 20, 2011

Senate Bill 2100 Implementation Review

State Board of Administration

Completed Updates

- Mailed one-page legislative summary notice to ALL Florida Retirement System (FRS) members in mid-June 2011
- Mailed Employer Quarterly Newsletter to ALL FRS Retirement Coordinators in mid-June 2011
- Mailed Investment Plan Employee Quarterly Newsletter to ALL Investment Plan members in late-July
- Posted to website, in a pop-up box, on home page of MyFRS.com in mid to late-May:
 - Summary of the legislation - Summarizes the legislative changes
 - Take Home Pay Calculator - Permits members to determine how 3% contribution affects their net pay
 - List of FAQ's - List of frequently asked questions on the legislation
- Conducted employee and employer web casts to discuss legislative changes in mid-June 2011
- Updated ALL member print and web materials
- Updated New Hire materials; including a legislative summary insert to the New Hire Kit and the New Hire video
- Updated ALL financial and retirement planning workshops
- Educated SBA service providers (Ernst & Young and AonHewitt) on legislative changes

Outstanding Updates Projected for Completion before January 1, 2012

- Updates to the:
 - Online Choice Service
 - Online 2nd Choice Service
 - Online Advisor Service for Pension Plan
 - Printed Benefit Comparison Statement for New Hires
- Updates to the Employer Manual and Tool Kit

Statistics for Period May through August 2011

- **Calls to Ernst & Young** – 97,162 (26,085 more than last year in same time period)
- **Web hits to retirement legislation summary** – 175,577
- **Web hits to Take Home Pay Calculator** – 13,677
- **Web hits to online employee web cast video of legislative changes** – 1,484

HOUSE GOVERNMENT OPERATIONS SUBCOMMITTEE
September 20, 2011

Senate Bill 2100 Implementation Review
State Board of Administration

Statistics for Period May through August 2011 (continued)

- **Web hits to online employer web cast video of legislative changes – 915**
- **Web hits to online FAQ's relating to legislation – 3,415**
- **2nd Elections Pension Plan to Investment Plan – 4,531 members, \$637 million in assets**
1,784 members, \$364 million in assets in 2010
- **2nd Elections Investment Plan to Pension Plan – 135 members, \$5 million in assets**
100 members in 2010
- **Rescind Elections during Grace Period – 73 members (32 more than last year in same time period)**