



M E M O R A N D U M

Date: November 21, 2019

To: California State Lottery Commission

From: Alva V. Johnson, Director *AVJ*

Prepared By: Sharon Allen, Deputy Director, Sales and Marketing Division

Subject: Item 8(f) - SuperLotto Plus® Amended Regulations

ISSUE

The California State Lottery (Lottery) proposes regulation amendments to modify the SuperLotto Plus annuity structure to a 5 percent graduated annuity rate, which will reduce the prize expense and increase funding for education.

BACKGROUND

Currently, SuperLotto Plus has a 4 percent graduated annuity whereas Mega Millions® and Powerball® have a 5 percent graduated annuity. The Lottery is estimating an approximate savings of 2 percent per year in annual SuperLotto Plus jackpot prize expense by utilizing the 5 percent graduated annuity. Had the Lottery been using a 5 percent graduated annuity over the last four fiscal years, it would have saved approximately \$6 million dollars, with individual year's savings ranging from \$769,000 to \$2.4 million.

DISCUSSION

Increasing the graduated annuity rate results in larger dollar values being paid out in the later years of the annuity stream. This reduces the overall cost of the annuity prize. Since the cash value of a jackpot prize is based on the cost of the annuity, this change will result in lower prizes whether the annuity or the cash option is selected. This recommended change is consistent with Mega Millions and Powerball and supports the Lottery's effort to improve profitability and increase contributions to public education.

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If approved by the California State Lottery Commission (Commission), the attached amendments will become effective on December 4, 2019. Claims to jackpots won prior to December 4, 2019 will be processed under the existing annuity rate.

RECOMMENDATION

Lottery staff recommends that the Commission approve the proposed regulation amendments, which would become effective on December 4, 2019.